



State of Montana 401(a) Defined Contribution Plan

September 30, 2008

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Market Environment Investment Performance Analysis

September 30, 2008

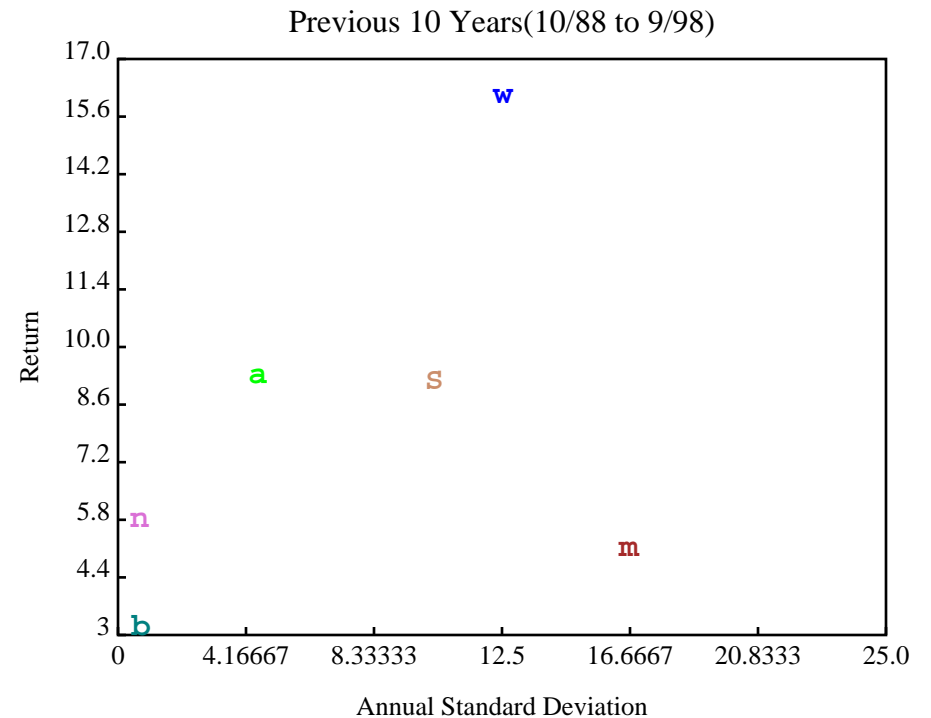
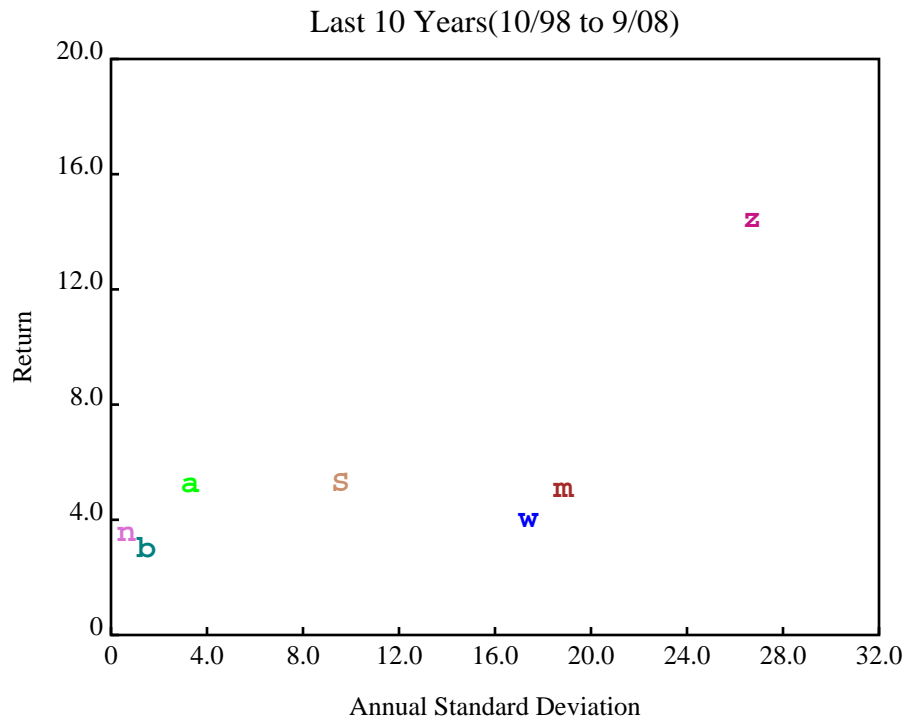


Market Environment

Overview of Major Asset Classes

As of 9/30/08

Indices	Legend	Returns							10 Year Std Dev
		Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs	
U.S. Equity (DJ Wilshire 5000)	w	-8.67	-18.64	-21.26	0.56	6.00	3.98	9.87	17.61
U.S. Bonds (Lehman Aggregate)	a	-0.48	0.64	3.66	4.15	3.78	5.20	7.23	3.54
Non U.S. Equity (ACWI X US Net)	x	-21.91	-29.85	-30.32	2.64	11.34	--	--	--
Developed Equity (EAFE Net)	m	-20.56	-29.26	-30.50	1.12	9.69	5.02	5.06	19.07
Emerging Equity (Emg Mkts Net)	z	-26.95	-35.54	-33.20	8.37	18.66	14.42	--	26.92
Intl Bonds (Citi Non-US Gov)	s	-4.26	1.20	5.16	5.52	5.56	5.24	7.17	9.78
Treasury Bills (91 Day)	n	0.63	1.82	2.91	4.19	3.25	3.52	4.65	0.87
Consumer Price Index	b	-0.01	4.18	4.94	3.25	3.39	2.95	3.05	1.68



Market Environment

U.S. Common Stocks

As of 9/30/08



	Returns						
	Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs
Indices							
Standard & Poor's 500	-8.37	-19.29	-21.97	0.23	5.18	3.06	9.94
DJ Wilshire 5000	-8.67	-18.64	-21.26	0.56	6.00	3.98	9.87
DJ Wilshire 4500	-9.99	-17.05	-19.77	1.15	8.28	6.91	9.91
DJ Wilshire US Large Cap	-9.04	-19.07	-21.42	0.62	5.76	3.40	9.91
DJ Wilshire US Small Cap	-5.94	-14.73	-18.92	1.09	8.41	8.42	10.37
DJ Wilshire Real Est. Secs	4.51	0.95	-12.86	5.12	13.59	12.92	8.89
Styles							
DJ Wilshire US Large Growth	-12.02	-18.63	-19.13	0.54	4.92	1.32	9.26
DJ Wilshire US Large Value	-5.44	-19.56	-23.83	0.48	6.47	5.11	10.21
DJ Wilshire US Small Growth	-10.98	-17.71	-20.62	1.21	8.33	5.82	8.64
DJ Wilshire US Small Value	-0.21	-11.36	-17.00	0.95	8.45	10.16	11.64
Sectors (DJ Wilshire 5000)							
Consumer Discretionary	-1.67	-17.32	-26.19	-4.67	1.33	--	--
Consumer Staples	4.30	-3.80	-0.55	8.23	9.43	--	--
Energy	-26.57	-17.63	-13.77	7.38	22.48	--	--
Financials	4.07	-23.22	-32.54	-6.41	0.74	--	--
Health Care	1.19	-11.68	-11.95	0.80	4.32	--	--
Industrials	-10.18	-20.79	-23.81	2.33	8.02	--	--
Information Technology	-11.85	-23.01	-23.59	-0.31	2.61	--	--
Materials	-24.11	-22.56	-21.82	8.60	12.47	--	--
Telecommunication Services	-15.28	-29.30	-34.11	1.67	6.59	--	--
Utilities	-17.64	-19.90	-14.63	2.55	12.04	--	--

Index Definitions

DJ Wilshire 5000: All publicly traded U.S. corporations

DJ Wilshire 4500: All DJ Wilshire 5000 companies excluding large S&P500 companies

DJ Wilshire US Large Cap: Largest 750 publicly traded companies

DJ Wilshire US Small Cap: Companies ranking between 750 and 2500 by market capitalization

Style Definitions (Wilshire Style Indices)

Large Co: Largest 750 companies in the DJ Wilshire 5000

Small Co: Next 1750 companies in the DJ Wilshire 5000

Value: Relatively low P/E and P/B ratios

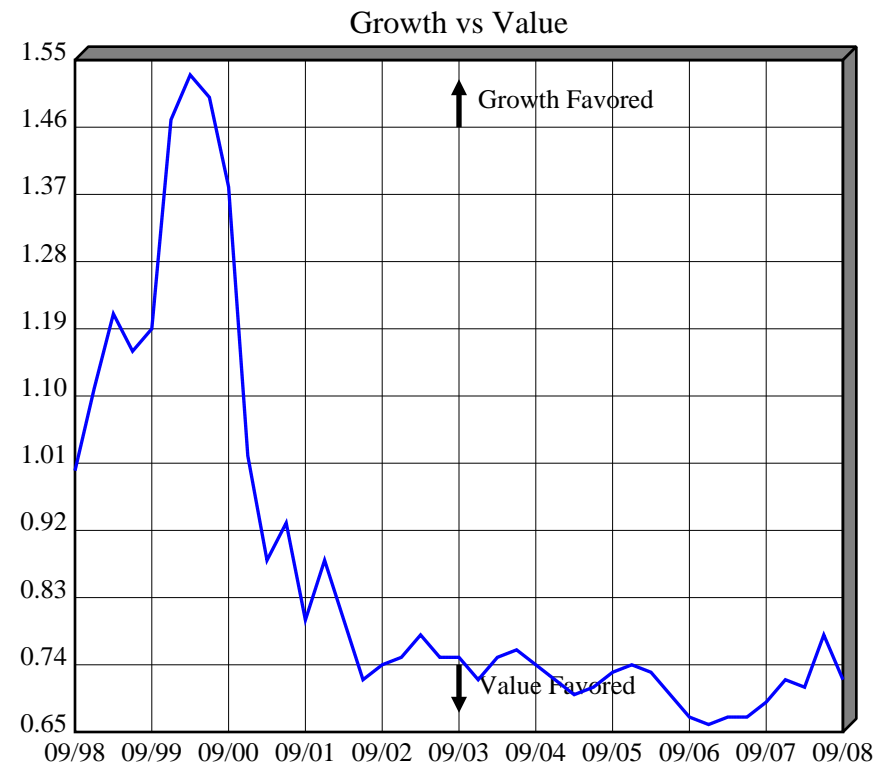
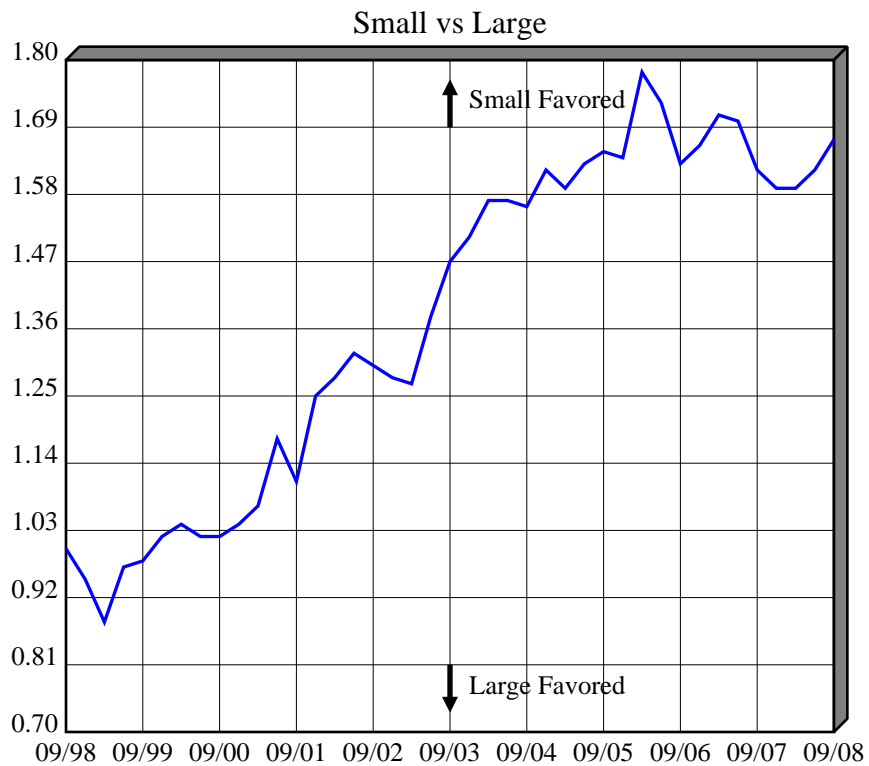
Growth: Relatively high P/E and P/B ratios



Market Environment

U.S. Common Stocks

Relative Return
As of 9/30/08



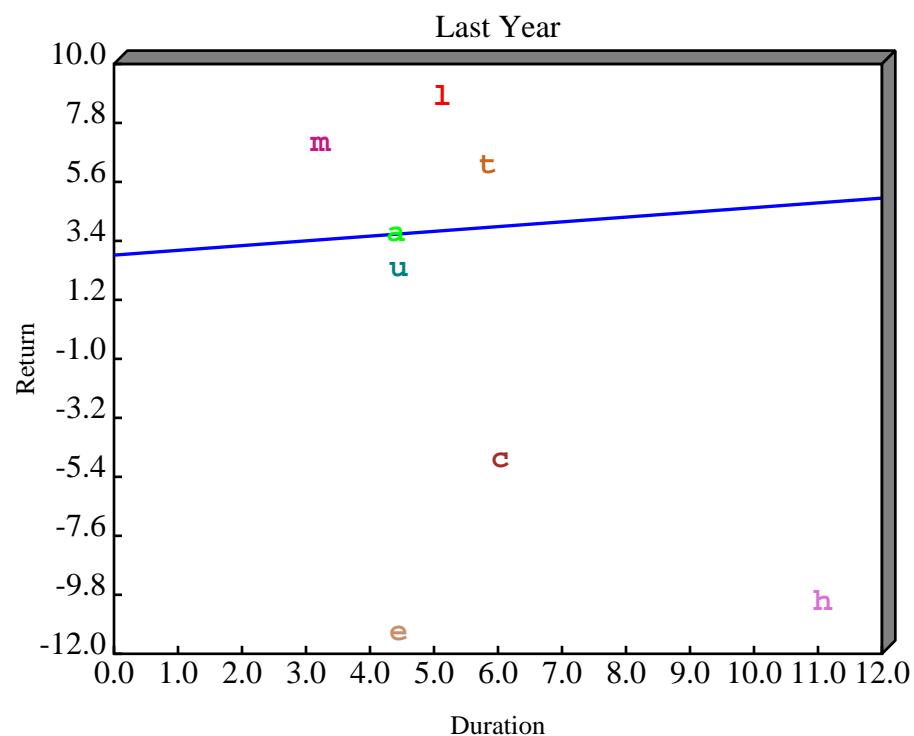
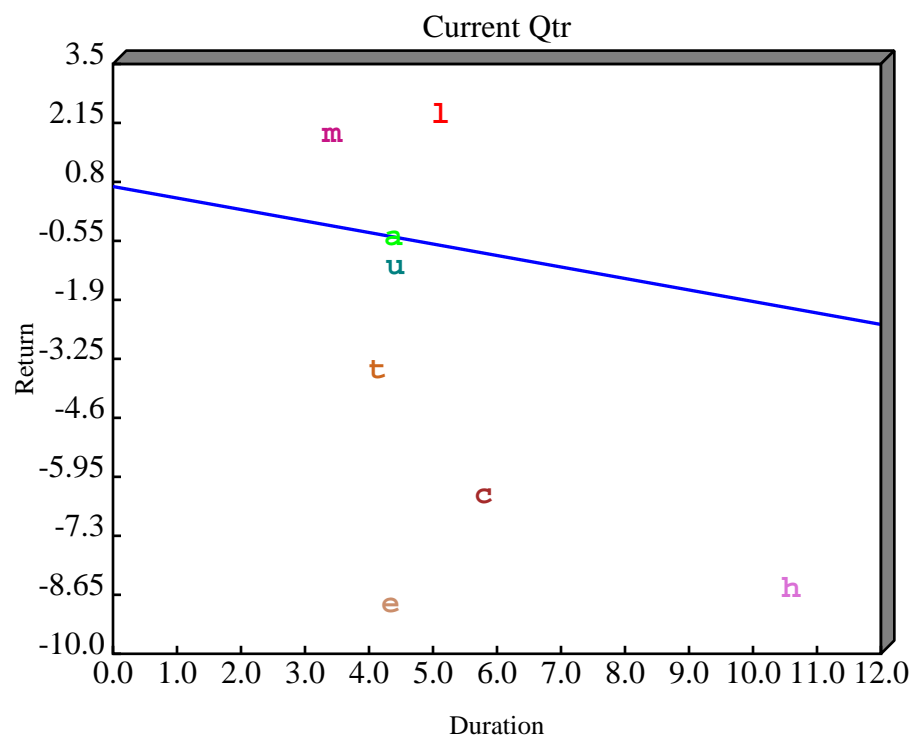
Based on DJ Wilshire Style Indices

Market Environment

U.S. Fixed Income Indices

As of 9/30/08

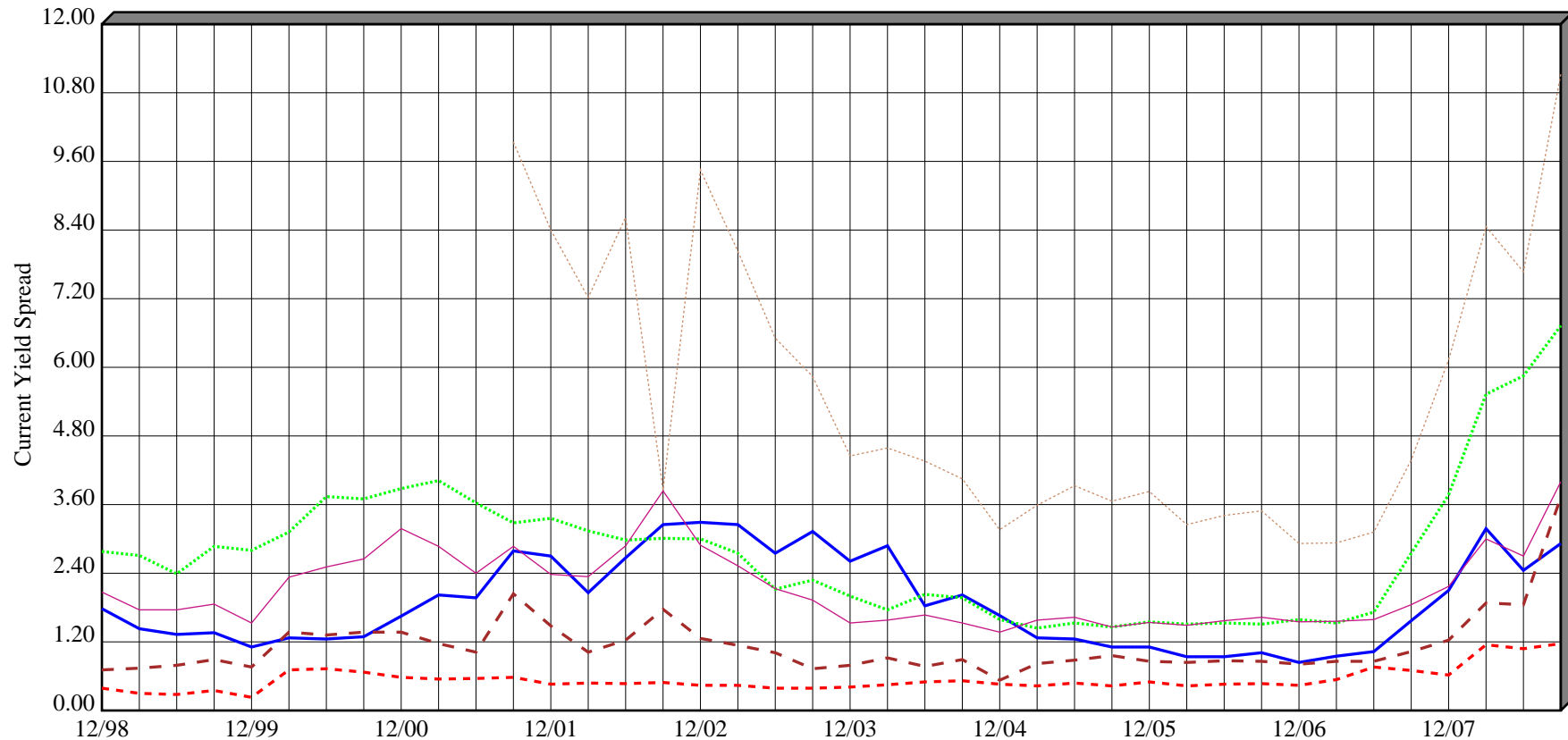
Indices	Legend	Returns							Characteristics (Current Qtr)		
		Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs	Eff Maturity	Eff Duration	Yld to Mat
Lehman Aggregate	a	-0.48	0.64	3.66	4.15	3.78	5.20	7.23	7.11	4.47	5.27
Lehman Treasury	l	2.30	4.58	8.72	5.79	4.47	5.36	7.31	6.89	5.20	2.96
Lehman Credit (Corporate)	c	-6.39	-6.83	-4.79	0.86	1.94	4.50	7.18	9.89	5.88	7.22
Lehman Mortgage	m	1.87	3.84	7.01	5.53	4.84	5.68	7.35	6.42	3.51	5.47
Lehman High Yield	e	-8.89	-10.07	-11.24	1.05	4.39	4.40	7.44	7.00	4.42	13.91
Citigroup High Grade	h	-8.54	-11.82	-10.09	-1.91	1.43	4.49	7.65	23.99	10.68	7.35
Lehman Universal	u	-1.15	-0.32	2.34	3.90	3.90	5.39	--	7.18	4.49	5.79
Lehman Bros U.S. TIPS	t	-3.54	1.17	6.19	4.32	5.15	7.14	--	8.98	4.21	7.63



Market Environment

U.S. Fixed Income Markets

Historical Spread Comparison to Treasuries As of 9/30/08



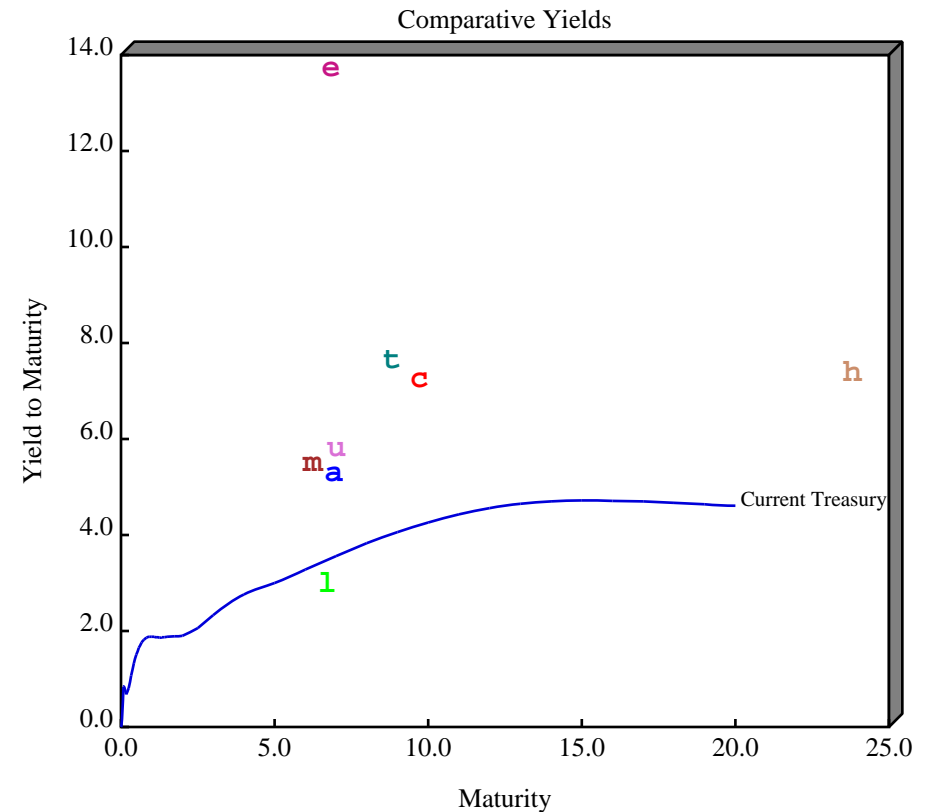
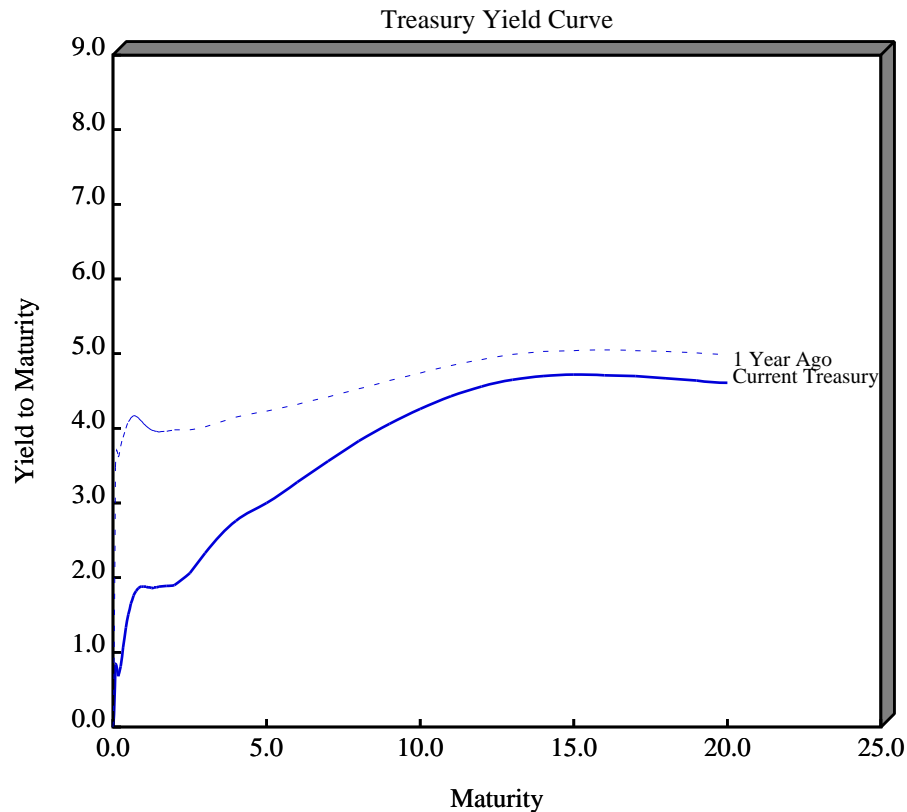
Description	Legend	Current Qtr Spread	Median Spread (10 Years)
Leh Mortgage	—	2.92	1.72
GIC's 5 Year	...	6.73	2.75
Leh Long Agencies	---	1.17	0.47
Leh AAA Long Corp	---	3.73	0.94
Leh BAA Long Corp	—	4.00	1.90
Leh High Yield	...	11.13	NA



Market Environment

U.S. Fixed Income Markets

Yield Spread To Treasuries As of 9/30/08



Description	Legend	Eff Maturity	Yield to Mat
Lehman Aggregate	a	7.11	5.27
Lehman Treasury	l	6.89	2.96
Lehman Credit	c	9.89	7.22
Lehman Mortgage	m	6.42	5.47
Lehman High Yield	e	7.00	13.91
Citigroup High Grade	h	23.99	7.35
Lehman Universal	u	7.18	5.79
Lehman Bros. U.S. TIPS	t	8.98	7.63

Market Environment International Markets As of 9/30/08



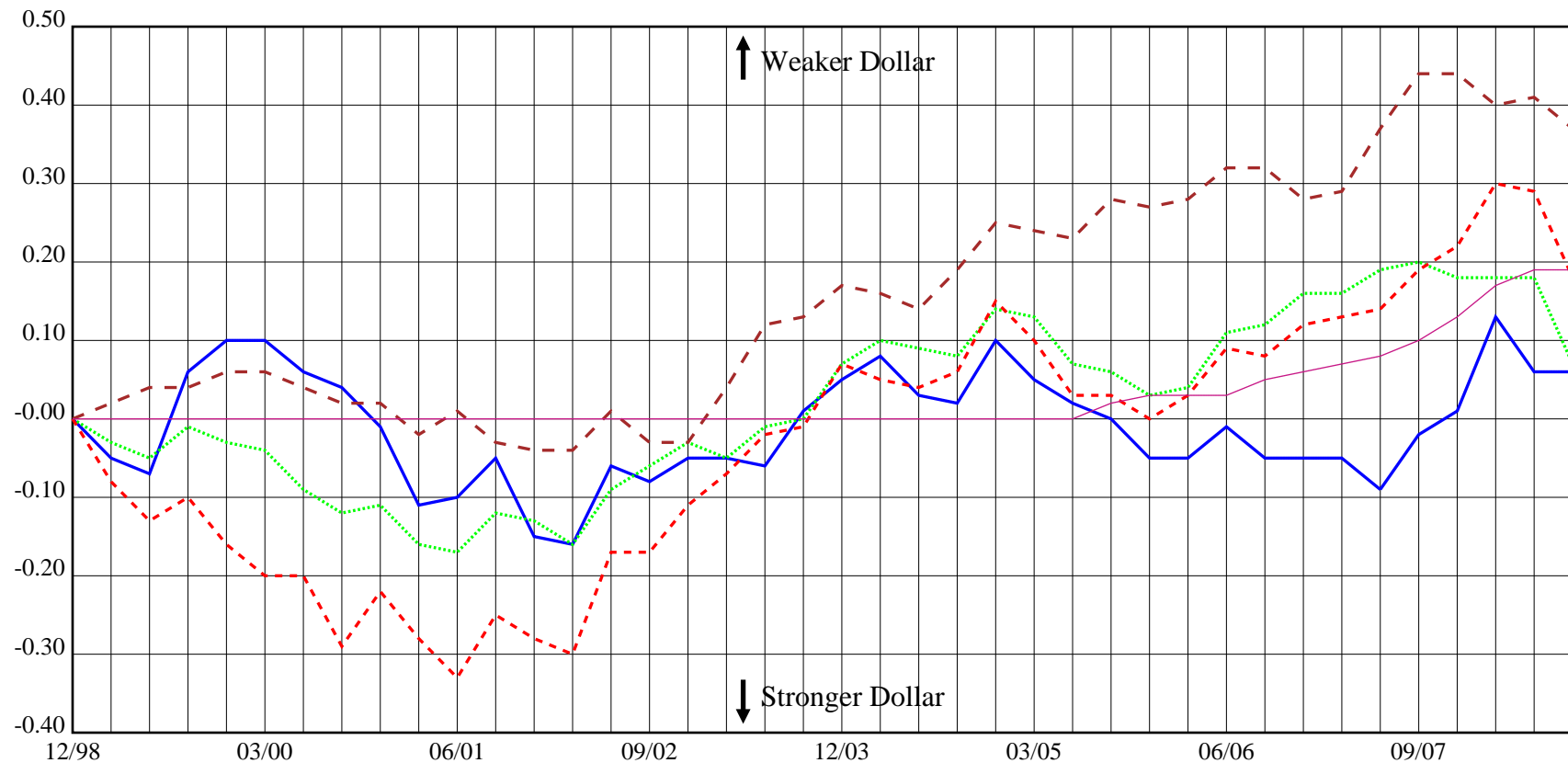
	Returns							10 Year Std Dev
	Qtr	Ytd	1Yr	3Yrs	5Yrs	10Yrs	20Yrs	
Equity(in U.S. dollars)								
U.S. (S & P 500)	-8.37	-19.29	-21.97	0.23	5.18	3.06	9.94	16.67
Non U.S. (ACWI X U.S.) Net	-21.91	-29.85	-30.32	2.64	11.34	--	--	--
Developed (EAFE) Net	-20.56	-29.26	-30.50	1.12	9.69	5.02	5.06	19.07
Emerging (Emg Mkts) Net	-26.95	-35.54	-33.20	8.37	18.66	14.42	--	26.92
Europe	-20.77	-30.60	-30.93	2.51	10.96	4.78	9.52	20.22
Pacific	-20.10	-26.19	-29.60	-1.80	6.91	5.81	0.49	20.43
France	-18.93	-28.62	-28.12	3.04	11.63	6.25	9.68	22.75
Germany	-20.56	-31.58	-28.10	9.52	16.09	4.49	9.30	28.72
Japan	-17.65	-22.21	-26.93	-3.98	4.52	3.84	-1.18	21.79
United Kingdom	-20.97	-29.85	-31.52	-0.18	8.54	3.38	8.76	16.96
Equity(in local currency)								
Non U.S. (ACWI X US) Net	-14.98	-26.59	-27.87	0.18	8.71	--	--	--
Developed (EAFE) Net	-13.02	-26.67	-28.84	-1.80	7.03	3.23	3.98	17.84
Emerging (Emg Mkts) Net	-20.87	-30.67	-28.68	8.26	16.97	--	--	--
Europe	-11.32	-26.39	-27.47	-0.96	7.77	3.41	8.57	19.18
Pacific	-16.57	-27.11	-31.71	-3.51	5.52	3.12	-0.62	17.94
France	-9.06	-25.70	-27.23	-2.08	7.52	4.33	7.97	22.36
Germany	-10.89	-28.78	-27.20	4.09	11.82	2.60	7.77	27.86
Japan	-17.52	-26.07	-32.55	-6.05	3.46	1.30	-2.35	19.81
United Kingdom	-11.76	-21.66	-21.74	-0.43	7.02	2.89	8.46	14.96
% Change in Exchange Rates								
Euro vs Dollar	-10.85	-3.93	-1.23	5.22	3.82	--	--	--
Yen vs Dollar	-0.15	5.23	8.34	2.20	1.02	2.52	1.19	12.35
Pound vs Dollar	-10.44	-10.46	-12.51	0.25	1.42	0.48	0.25	7.51
International Fixed Income								
Citigroup Non-US Bond	-4.26	1.20	5.16	5.52	5.56	5.24	7.17	9.78
Citigroup World Bond	-2.97	1.91	5.90	5.57	5.35	5.38	7.24	8.05
Citigroup Non-US Hedged	2.66	2.37	4.36	3.74	4.24	4.87	6.88	2.81
Lehman Global Aggregate	-3.83	-0.44	2.81	4.72	4.77	4.92	--	6.28



Market Environment

U.S. Dollar Cost of Foreign Currencies

As of 9/30/08



Description	Legend
Japanese Yen	—
U.K. Pound
Euro	- - -
Canadian Dollar	- -
Chinese Yuan	—

FUND OVERVIEW FOR STATE OF MONTANA 401(a) DEFINED CONTRIBUTION PLAN

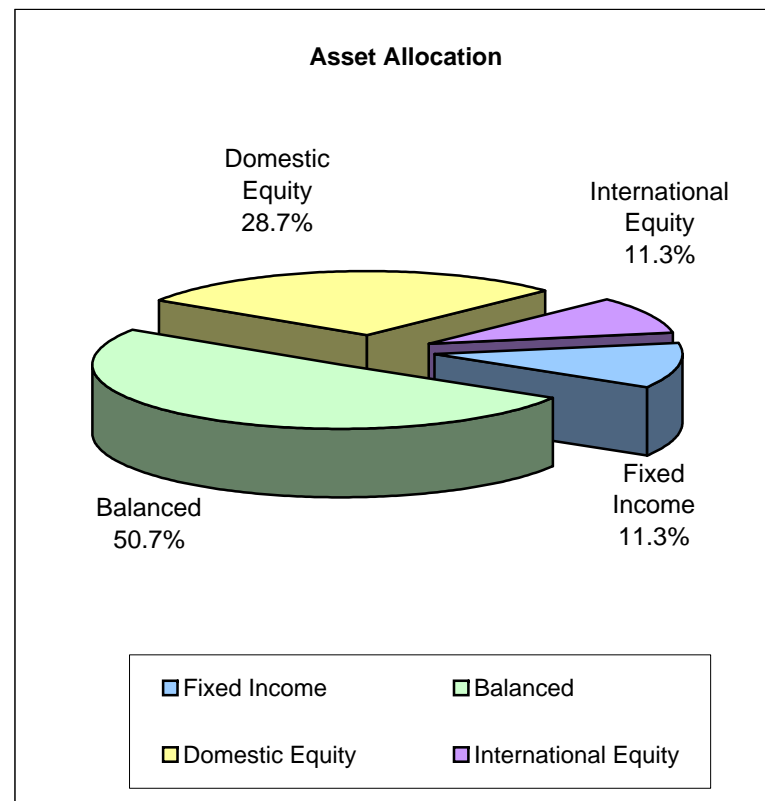
Asset Class	Name	Ticker	Recommendation
Fixed Income	State of Montana Stable Value - PIMCO	n/a	Retain
Fixed Income	Vanguard Total Bond Market Signal	VBTSX	Retain
Balanced	Vanguard Balanced Index Institutional	VBAIX	Retain
Large Growth	American Funds Growth Fund of America A	AGTHX	Retain
Large Broad	Vanguard Growth & Income Admiral	VGIAX	Retain
Large Broad	Barclays Global Investors - Equity Index	WFSPX	Retain
Large Value	Vanguard Equity Income Admiral	VEIRX	Retain
Mid Growth	Munder Mid Cap Core Growth A	MGOAX	Retain
Mid Value	Janus Mid Cap Value Inv	JMCVX	Retain
Small Growth	Managers AMG Essex Small/Micro Growth	MBRSX	Retain
Small Broad	Vanguard Small Cap Index Signal	VSISX	Retain
Small Value	Hotchkis & Wiley Small Cap Value A	HWSAX	Terminated/Replaced
Global	American Funds New Perspective Fund A	ANWPX	Retain
International	Oakmark International I	OAKIX	Probation
International	SSgA International Growth Opportunities	SINGX	Terminated/Replaced

State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Asset Allocation as of September 30, 2008

Asset Class	Market Value	%
Fixed Income	4,637,608	11.3%
Montana Stable Value	3,586,647	8.7%
Vanguard Total Bond Market Index	1,050,961	2.6%
Balanced	20,838,706	50.7%
Vanguard Balanced Index	20,838,706	50.7%
Domestic Equity	11,811,966	28.7%
<u>Large Cap</u>	<u>5,593,892</u>	<u>13.6%</u>
American Funds Growth Fund of America	3,333,879	8.1%
Vanguard Growth & Income	797,901	1.9%
BGI Equity Index	171,955	0.4%
Vanguard Equity Income	1,290,157	3.1%
<u>Mid Cap</u>	<u>3,249,219</u>	<u>7.9%</u>
Munder Mid Cap Core Growth	1,232,568	3.0%
Janus Mid Cap Value	2,016,651	4.9%
<u>Small Cap</u>	<u>2,968,856</u>	<u>7.2%</u>
Manager Essex Small/Micro Growth	1,051,477	2.6%
Vanguard Small Cap Index	954,206	2.3%
Hotchkis & Wiley Small Cap	963,173	2.3%
International Equity	3,830,952	9.3%
American Funds New Perspective	2,300,677	5.6%
SSgA International Growth Opportunities	415,540	1.0%
Oakmark International	1,114,735	2.7%
TOTAL STATE OF MONTANA 401(a)	\$ 41,119,232	



Montana Stable Value	Trailing Total Returns (annualized)			
Style: Intermediate Gov/Credit FI	Quarter	1 Year	3 Year	5 Year
Montana Stable Value	(3.64)	0.98	4.08	3.64
Barclays Int Gov/Credit Bond + 0.35%	(1.10)	3.50	4.39	3.60

3 yr

5 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
n/a	--	--	--
n/a	--	--	--

Fund Narrative
After an extremely difficult quarter, this fund has still managed to post positive returns for the 1-year and longer, and even outperform its benchmark for the 5-year time period. Recommendation: Retention

Vanguard Total Bond Index	Trailing Total Returns (annualized)			
Style: Intermediate Fixed Income	Quarter	1 Year	3 Year	5 Year
Vanguard Total Bond Index	(0.39)	3.84	4.24	3.81
Barclays Aggregate	(0.49)	3.65	4.15	3.78
Intermediate Fixed MF Mean	(3.57)	(2.28)	1.75	2.40

3 yr

5 yr

10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★★★★★	0.1	-0.5	0.0
★★★★★	0.2	-0.1	0.2
n/a	--	--	--

Fund Narrative
This fund outperformed the returns of the Barclays Aggregate Bond Index for all measured time periods. The manager's Sharpe Ratios led the category mean for the 3- and 5-year time periods and the fund's consistent 5-star Morningstar Ratings exceeded the State's investment policy requirement. Recommendation: Retention

Vanguard Balanced Index	Trailing Total Returns (annualized)			
Style: Balanced	Quarter	1 Year	3 Year	5 Year
Vanguard Balanced Index	(5.23)	(11.67)	2.24	5.32
US Balanced Index	(1.21)	(4.86)	4.81	6.91
Balanced MF Mean	(8.88)	(15.16)	0.98	4.67

3 yr

5 yr

10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★★★★	-0.2	-0.4	0.1
★★★★	0.3	0.2	0.6
n/a	--	--	--

Fund Narrative
This fund's returns trailed those of the US Balanced Index for the quarter and all other time horizons. However, the manager's Sharpe Ratios were greater than the category mean and the fund's 4-star Morningstar Ratings meet the State requirement. Recommendation: Retention

American Funds Growth Fund	Trailing Total Returns (annualized)			
Style: Large Growth	Quarter	1 Year	3 Year	5 Year
American Funds Growth Fund	(15.04)	(22.92)	0.82	6.95
S&P 500 Index	(8.37)	(21.98)	0.22	5.17
Large Cap Growth MF Mean	(13.58)	(22.55)	(0.39)	4.12

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★ ★ ★	-0.2	-0.3	-0.3
5 yr	★ ★ ★ ★	0.4	0.1	0.2
10 yr	★ ★ ★ ★ ★	--	--	--

Fund Narrative
This large growth fund experienced a very difficult negative quarter and greatly underperformed the S&P 500 Index benchmark for the quarter and the 1-year; however, the fund still outperformed the benchmark for the 3- and 5-year periods. The manager's Sharpe Ratio exceeds the category mean and the fund's 3- and 4-star Morningstar Ratings are above the State's requirement. Recommendation: Retention

Vanguard Growth and Income	Trailing Total Returns (annualized)			
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year
Vanguard Growth and Income	(8.80)	(23.19)	(0.57)	4.96
S&P 500 Index	(8.37)	(21.98)	0.22	5.17
Large Cap Blend MF Mean	(10.18)	(22.28)	(0.35)	4.97

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★ ★ ★	-0.3	-0.4	-0.3
5 yr	★ ★ ★	0.2	0.2	0.2
10 yr	n/a	--	--	--

Fund Narrative
This diversified large cap core fund slightly trailed the S&P 500 Index for the quarter, and now trails the benchmark for all measured time periods. The manager's Sharpe Ratios matched or exceeded the category mean for the 3- and 5-year periods; the 3-star Morningstar Ratings meet the State requirement. Recommendation: Retention.

Barclays Equity Index (S&P 500)	Trailing Total Returns (annualized)			
Style: Large Cap Core	Quarter	1 Year	3 Year	5 Year
Barclays Equity Index (S&P 500)	(8.49)	(22.16)	0.04	4.98
S&P 500 Index	(8.37)	(21.98)	0.22	5.17
Large Cap Blend MF Mean	(10.18)	(22.28)	(0.35)	4.97

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★ ★ ★	-0.4	-0.4	-0.3
5 yr	★ ★ ★	0.2	0.2	0.2
10 yr	★ ★ ★	--	--	--

Fund Narrative
This broadly diversified fund performed in line with the S&P 500 Index for the quarter, as expected of an index fund. The manager's Sharpe Ratios matched the category mean for the 3- and 5-year periods; the consistent 3-star Morningstar Ratings meet the State requirement. Recommendation: Retention.

Vanguard Equity-Income	Trailing Total Returns (annualized)			
Style: Large Value	Quarter	1 Year	3 Year	5 Year
Vanguard Equity-Income	(2.91)	(18.82)	2.69	7.73
Russell 1000 Value Index	(6.11)	(23.56)	0.09	7.12
Large Cap Value MF Mean	(8.01)	(23.85)	(0.54)	6.13

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★★	-0.1	-0.4	-0.3
5 yr	★★★★★	0.5	0.3	0.4
10 yr	--	--	--	--

Fund Narrative
This large value fund outperformed the Russell 1000 Value Index over the quarter, as well as all other measured time periods. With consistent 4- and 5-star Morningstar ratings and Sharpe Ratios higher than the category mean, this fund meets the requirements of the State. Recommendation: Retention.

Munder Mid-Cap Core Growth	Trailing Total Returns (annualized)			
Style: Mid Growth	Quarter	1 Year	3 Year	5 Year
Munder Mid-Cap Core Growth	(16.12)	(24.58)	0.74	9.49
S&P Mid Cap 400 Index	(10.87)	(16.68)	1.78	8.65
Mid Cap Growth MF Mean	(16.17)	(24.51)	(0.01)	6.31

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★	-0.1	-0.2	-0.1
5 yr	★★★★★	0.5	0.2	0.5
10 yr	--	--	--	--

Fund Narrative
After yet another poor quarter, this fund underperformed the S&P Mid Cap 400 benchmark for all time periods shorter than 5 years. This manager's Sharpe Ratio, however, was above the category mean and the Morningstar Ratings of 3- and 4-stars exceed the State's requirement. Recommendation: Retention

Janus Mid Cap Value	Trailing Total Returns (annualized)			
Style: Mid Value	Quarter	1 Year	3 Year	5 Year
Janus Mid Cap Value	(6.02)	(11.56)	4.64	10.97
Russell Mid Cap Value Index	(7.52)	(20.50)	0.51	9.97
Mid Cap Value MF Mean	(9.01)	(21.10)	(0.13)	8.08

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★★	0.1	-0.3	-0.2
5 yr	★★★★★	0.8	0.4	0.6
10 yr	★★★★★	--	--	--

Fund Narrative
This fund outperformed the Russell Mid Cap Value Index for the quarter and over all time periods. Aside from this quarter, the manager ranks in or near the top decile of managers in this investment category for all time periods. The manager's Sharpe Ratio is well above the category mean and the fund's consistent 5-star Morningstar Ratings exceed the requirements of the State. Recommendation: Retention

Managers Essex Sm/Micro Growth	Trailing Total Returns (annualized)			
Style: Small Growth	Quarter	1 Year	3 Year	5 Year
Managers Essex Sm/Micro Growth	(9.65)	(26.90)	(0.45)	7.47
Russell 2000 Growth Index	(6.99)	(17.07)	1.45	6.64
Small Cap Growth MF Mean	(9.54)	(23.17)	(0.80)	5.65

3 yr
5 yr
10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★★	-0.1	-0.3	-0.1
★★★	0.3	0.2	0.3
--	--	--	--

Fund Narrative
This manager again greatly underperformed the benchmark in a broadly negative quarter but its historically strong performance has beaten the benchmark returns for longer time periods. With 2- and 3-star Morningstar ratings and sufficient Sharpe Ratio, this fund continues to meet the State's requirements. Recommendation: Retention.

Vanguard Small Cap Index	Trailing Total Returns (annualized)			
Style: Small Cap Core	Quarter	1 Year	3 Year	5 Year
Vanguard Small Cap Index	(4.98)	(17.08)	1.19	8.73
MSCI US Small Cap 1750 Index	(5.07)	(17.28)	1.08	8.62
Small Cap Blend MF Mean	(4.83)	(18.83)	(0.35)	7.55

3 yr
5 yr
10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★★★	-0.1	-0.3	-0.1
★★★★	0.4	0.3	0.4
★★★	--	--	--

Fund Narrative
This fund slightly outpaced the benchmark return for all time periods, as expected of an index fund. With consistent 3- and 4-star Morningstar ratings and adequate Sharpe Ratio, this fund meets the State requirement. Recommendation: Retention.

Hotchkis & Wiley Small Cap Value	Trailing Total Returns (annualized)			
Style: Small Value	Quarter	1 Year	3 Year	5 Year
Hotchkis & Wiley Small Cap Value	(7.29)	(19.67)	(9.29)	4.41
Russell 2000 Value Index	4.96	(12.25)	2.00	9.45
Small Cap Value MF Mean	(1.55)	(16.30)	0.13	8.30

3 yr
5 yr
10 yr

Sharpe Ratio			
Rating	Manager	Cat. Mean	Index
★	-0.8	-0.3	-0.1
★	0.1	0.4	0.5
n/a	--	--	--

Fund Narrative
Terminated. The Hotchkis & Wiley Small Cap Value fund has been terminated and replaced by the Target Small Capitalization Value Fund (TASVX) . Performance will be reported when the fund has been funded.

State of Montana 401(a) Defined Contribution Plan
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American Funds New Perspective	Trailing Total Returns (annualized)			
Style: Global Equity	Quarter	1 Year	3 Year	5 Year
American Funds New Perspective	(14.80)	(22.51)	4.03	9.65
MSCI World Index	(15.25)	(26.05)	0.75	7.32
World Equity MF Mean	(15.71)	(26.02)	1.10	7.94

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★★★	0.1	-0.2	-0.2
5 yr	★★★★	0.6	0.4	0.4
10 yr	★★★★	--	--	--

Fund Narrative
This global equity fund slightly led the MSCI World Index benchmark index for the quarter and as well as all other time periods and the manager scored in the top half of managers in this investment category for all time periods. The manager's Sharpe Ratios were higher than the category mean and the 4-star Morningstar Ratings exceed the requirements of the State. Recommendation: Retention.

Oakmark International	Trailing Total Returns (annualized)			
Style: International Equity	Quarter	1 Year	3 Year	5 Year
Oakmark International	(7.42)	(28.59)	(0.04)	8.92
MSCI EAFE Value Index	(19.14)	(32.58)	(0.00)	10.05
Non-US Equity MF Mean	(21.29)	(31.46)	1.07	9.72

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★	-0.2	-0.2	-0.1
5 yr	★★★	0.5	0.4	0.5
10 yr	★★★★★	--	--	--

Fund Narrative
This international value equity (developed countries only) manager greatly outperformed the MSCI EAFE Value Index for the quarter and as a result, the 1-year, but trails for all other measured time periods. The manager's Sharpe Ratio matched or exceeded the category mean and this fund has a 2- and 3-star Morningstar rating which meets the State's requirements. Recommendation: Probation.

SSgA International Growth Opp.	Trailing Total Returns (annualized)			
Style: International Equity	Quarter	1 Year	3 Year	5 Year
SSgA International Growth Opp.	(24.07)	(29.84)	(0.17)	7.49
MSCI EAFE Growth Index	(21.92)	(28.48)	2.16	9.23
Non-US Equity MF Mean	(21.29)	(31.46)	1.07	9.72

	Sharpe Ratio			
	Rating	Manager	Cat. Mean	Index
3 yr	★★	-0.2	-0.2	-0.1
5 yr	★★	0.4	0.4	0.5
10 yr	★★	--	--	--

Fund Narrative
Terminated. This international equity (developed markets only) manager has been terminated; Principal Inv International Growth Instl (PITIX) has been chosen as a replacement. Performance will be reported when the fund has been funded.

State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Vanguard Total Bond Market Signal

Ticker: VBTSX

Fund Strategy

This index fund seeks to mirror the performance and duration of the Barclays Aggregate Bond Index.

Manager Information

Lead Manager Kenneth Volpert
 Inception 11/12/2001
 Prospectus www.vanguard.com

Fund	Characteristics				Trailing Total Returns (annualized)				
	Morningstar Rating	Avg. Duration	Avg. Maturity	Avg. Quality	Qtr	YTD	1 Year	3 Years	5 Years
Vanguard Total Bond Mkt	★★★★★	4.46	7.10	AAA	-0.4%	0.7%	3.8%	4.2%	3.8%
Barclays Aggregate					-0.5%	0.6%	3.7%	4.2%	3.8%
Interm Fixed MF Mean					-3.6%	-4.2%	-2.3%	1.7%	2.4%

	Manager Statistics				Index Statistics	
	Standard Deviation	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	2.78	0.08	0.07	0.30	2.76	0.04
5-Year	3.12	0.02	0.19	0.26	3.09	0.19

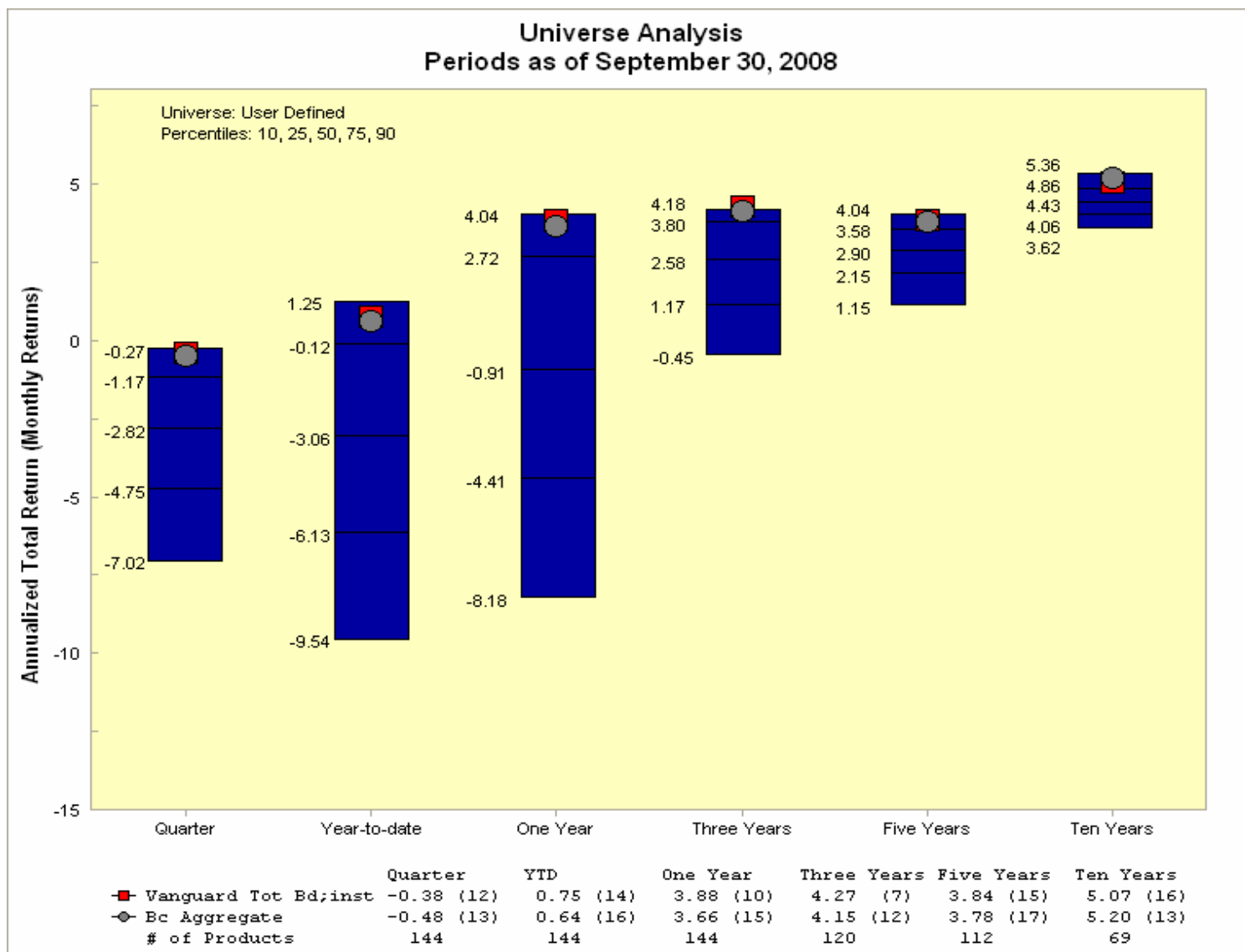
Portfolio Characteristics 6-30-08	
Credit Quality	%
US Gov't/Agency/AAA	80.0%
AA	4.7%
A	8.2%
BBB	7.1%
< BBB	0.0%
Non-Rated	0.0%
Maturity Breakdown	%
0 - 3 yrs.	0.0%
3 - 5 yrs.	0.0%
5 - 7 yrs.	0.0%
7 - 10 yrs.	0.0%
10 - 15 yrs.	0.0%
15 - 20 yrs.	0.0%
20 + yrs.	100.0%

Sector Weights 9-30-08		
versus Lehman Aggregate	%	+ / -
US Government	32.3%	-0.7%
Mortgage	43.2%	2.2%
Credit	20.5%	3.5%
Foreign	2.5%	-6.5%
Cash	1.5%	1.5%

Portfolio Information	
Expense Ratio	0.10%
12b-1 Fee Included	-
Category Average	1.01%
Minimum Investment	\$100,000

Year-End Assets (\$ Mil.)	
2007	\$57,898
2006	\$40,558
2005	\$32,841
2004	\$29,425
2003	\$25,717
2002	\$25,006
2001	\$21,759

Intermediate Fixed Income Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Vanguard Balanced Index Institutional

Ticker: VBAIX

Fund Strategy

The fund is 60% stocks and 40% bonds. It tracks the MSCI Broad Market Index on the stock allocation and the Barclays Brothers Aggregate Bond Index on the fixed income allocation.

Manager Information

Lead Manager Michael Perre & Gregory Davis
 Avg. Tenure 1992
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Balanced Indx Instl	★★★★	\$27,007	7463	-5.2%	-11.0%	-11.7%	2.2%	5.3%	-
US Balanced Index				-1.2%	-6.1%	-4.9%	4.8%	6.9%	4.8%
Balanced MF Mean				-8.9%	-14.4%	-15.2%	1.0%	4.7%	4.4%

	Manager Statistics					Index Statistics	
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Sharpe Ratio
3-Year	7.09	0.81	-0.24	-0.22	2.61	5.26	0.09
5-Year	6.49	0.79	-0.71	0.34	2.47	5.77	0.62

Top 10 Holdings 9-30-08	
Company	% of Portfolio
ExxonMobil Corporation	1.94%
General Electric Company	1.20%
Microsoft Corporation	1.06%
Procter & Gamble Company	1.01%
Johnson & Johnson	0.92%
J.P. Morgan Chase & Co.	0.81%
Chevron Corporation	0.81%
AT&T, Inc.	0.78%
International Business Machines Corp	0.76%
Bank of America Corporation	0.75%

Fixed Income Characteristics	
Avg. Duration (yrs.)	4.45
Avg. Maturity (yrs.)	7.10
Avg. Quality	AAA

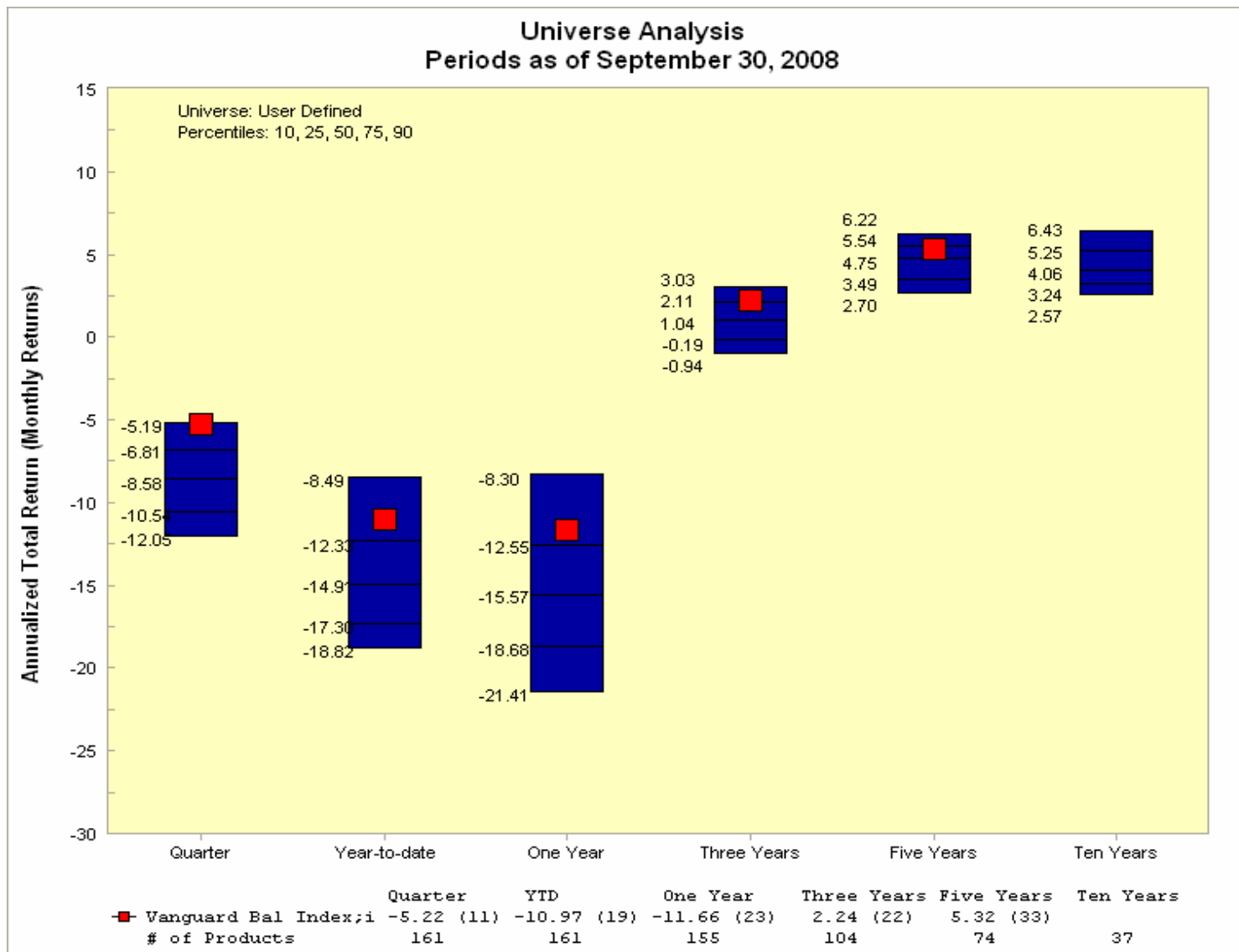
Sector Weights 9-30-08		
versus S&P 500	%	+ / -
Consumer Discretionary	9.3%	0.9%
Consumer Staples	10.6%	-1.6%
Energy	12.3%	-1.1%
Financials	16.7%	0.9%
Health Care	13.2%	0.1%
Industrials	11.5%	0.4%
Information Technology	16.1%	0.1%
Materials	3.7%	0.4%
Telecom Services	2.8%	-0.2%
Utilities	3.8%	0.2%

Sector Weights 9-30-08		
	%	+ / -
US Government	29.9%	-3.1%
Mortgage	44.4%	3.4%
Credit	21.2%	4.2%
Foreign	2.6%	-6.4%
Cash	1.9%	1.9%

Portfolio Information	
Expense Ratio	0.07%
12b-1 Fee Included	-
Morningstar Average	1.11%
Minimum Investment	\$5,000,000
Avg. Annual Turnover	26%

Year-End Assets (\$ Mil.)	
2007	\$9,505
2006	\$9,284
2005	\$4,098
2004	\$4,674
2003	\$3,895
2002	\$2,990
2001	\$3,117

Balanced Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



American Funds Growth Fund of America A Ticker: AGTHX

Fund Strategy

This fund invests based on the GARP, growth at a reasonable price, investment philosophy. It is managed by a team of managers who invest independently from one another. Consequently, the portfolio is broadly diversified and tends to have lower volatility than most growth funds.

Manager Information

Lead Manager James E. Drasdo + Team
 Inception 11/30/1973
 Prospectus www.americanfunds.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
American Funds Grw FOA	★★★★	\$42,659	542	-15.0%	-20.8%	-22.9%	0.8%	7.0%	8.5%
S & P 500				-8.4%	-19.3%	-22.0%	0.2%	5.2%	3.1%
Large Cap Growth MF Mean				-13.6%	-22.4%	-22.6%	-0.4%	4.1%	2.6%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	12.65	1.03	0.83	-0.19	4.87	11.39	1.00	-0.28
5-Year	11.44	1.03	1.74	0.37	4.19	10.35	1.00	0.23

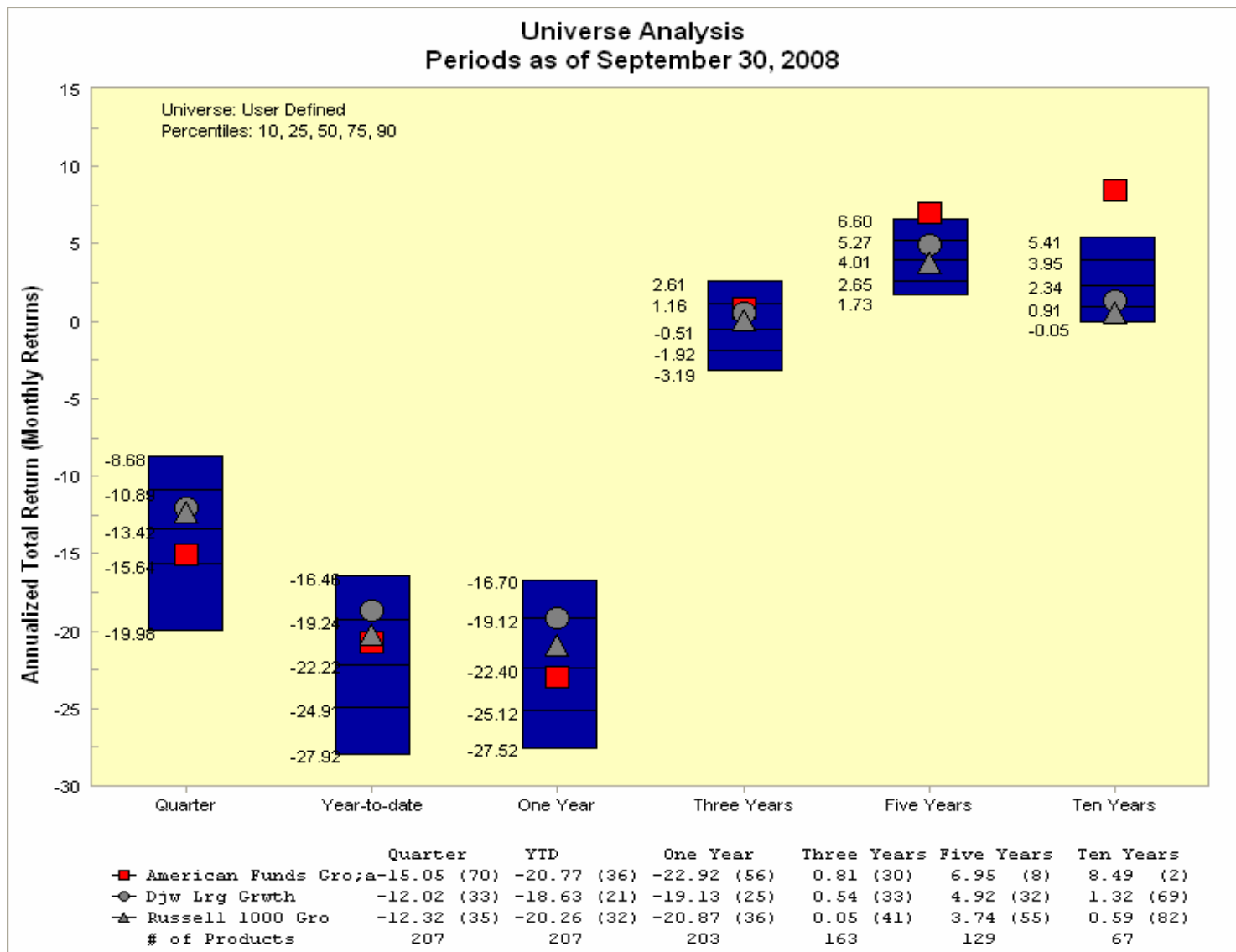
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Oracle Corporation	2.78%
Google, Inc.	2.62%
Cisco Systems, Inc.	2.58%
Schlumberger, Ltd.	2.32%
Microsoft Corporation	2.25%
Suncor Energy, Inc.	1.48%
Lowe's Companies Inc.	1.42%
Roche Holding Ltd.	1.40%
Target Corporation	1.33%
Medtronic, Inc.	1.24%

Sector Weights 9-30-08		
versus S&P 500	%	+ / -
Consumer Discretionary	12.8%	4.4%
Consumer Staples	5.1%	-7.1%
Energy	15.9%	2.5%
Financials	7.7%	-8.2%
Health Care	12.6%	-0.5%
Industrials	9.6%	-1.5%
Information Technology	27.8%	11.9%
Materials	6.6%	3.2%
Telecom Services	1.2%	-1.8%
Utilities	0.7%	-2.9%

Portfolio Information	
Expense Ratio	0.62%
12b-1 Fee Included	0.25%
Morningstar Average	1.39%
Minimum Investment	\$250
Avg. Annual Turnover	26%

Year-End Assets (\$ Mil.)	
2007	\$182,536
2006	\$161,912
2005	\$123,739
2004	\$77,952
2003	\$65,864
2002	\$37,653
2001	\$39,830

Large Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Vanguard Growth & Income Admiral

Ticker: VGIA

Fund Strategy

Using a quantitative approach, this fund seeks to build a stock portfolio with a risk level comparable to the S&P 500 Index but is able to earn an annual return higher than the Index. Computer models rank 4000 stocks based on value, discounted cash flow, and earnings momentum. Portfolio weights are similar to the Index; managers take many small positions to overweight or underweight the Index based on individual stocks risk/reward profile.

Manager Information

Lead Manager John S. Cone + Oliver E. Buckley
 Inception 5/14/2001
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Grw & Income Adm	★★★	\$47,961	113	-8.8%	-18.5%	-23.2%	-0.6%	5.0%	-
S & P 500				-8.4%	-19.3%	-22.0%	0.2%	5.2%	3.1%
Large Cap Core MF Mean				-10.2%	-20.0%	-22.3%	-0.3%	5.0%	3.7%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	11.55	1.00	-0.77	-0.34	1.91	11.39	1.00	-0.28
5-Year	10.67	1.02	-0.21	0.21	1.85	10.35	1.00	0.23

Top 10 Holdings 9-30-08	
Company	% of Portfolio
ExxonMobil Corporation	5.18%
General Electric Company	3.68%
Procter & Gamble Company	3.26%
Wal-Mart Stores, Inc.	2.54%
Bank of America Corporation	2.51%
ConocoPhillips	2.51%
Hewlett-Packard Company	2.16%
Intel Corporation	2.04%
International Business Machines Corp	1.82%
Monsanto Company	1.63%

Sector Weights 9-30-08		
versus S&P 500	%	+ / -
Consumer Discretionary	8.1%	-0.4%
Consumer Staples	12.7%	0.5%
Energy	13.7%	0.3%
Financials	15.4%	-0.4%
Health Care	12.3%	-0.8%
Industrials	11.4%	0.3%
Information Technology	15.5%	-0.4%
Materials	3.6%	0.3%
Telecom Services	2.8%	-0.2%
Utilities	4.3%	0.8%

Portfolio Information	
Expense Ratio	0.18%
12b-1 Fee Included	-
Morningstar Average	1.14%
Minimum Investment	\$100,000
Avg. Annual Turnover	100%

Year-End Assets (\$ Mil.)	
2007	\$7,069
2006	\$7,802
2005	\$7,380
2004	\$6,224
2003	\$5,483
2002	\$4,496
2001	\$6,925

State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Barclays Global Investors - Equity Index

Ticker: WFSPX

Fund Strategy

The Barclays Global Investors Equity Index fund is designed to track the Standard & Poor's 500 Index. Like most index funds, this offering has a large number of portfolio holdings and small positions in these holdings. Funds like this tend to be less volatile than more-concentrated offerings because they are so broadly diversified.

Manager Information

Lead Manager Diane Hsiung + Greg Savage
 Inception 1/1/2008
 Prospectus www.barclaysglobal.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Barclays Eq Index (S&P 500)	★★★	\$40,109	492	-8.5%	-19.4%	-22.2%	0.0%	5.0%	2.9%
S & P 500				-8.4%	-19.3%	-22.0%	0.2%	5.2%	3.1%
Large Cap Core MF Mean				-10.2%	-20.0%	-22.3%	-0.3%	5.0%	3.7%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	11.41	1.00	-0.18	-0.35	0.07	11.39	1.00	-0.28
5-Year	10.35	1.00	-0.18	0.16	0.06	10.35	1.00	0.23

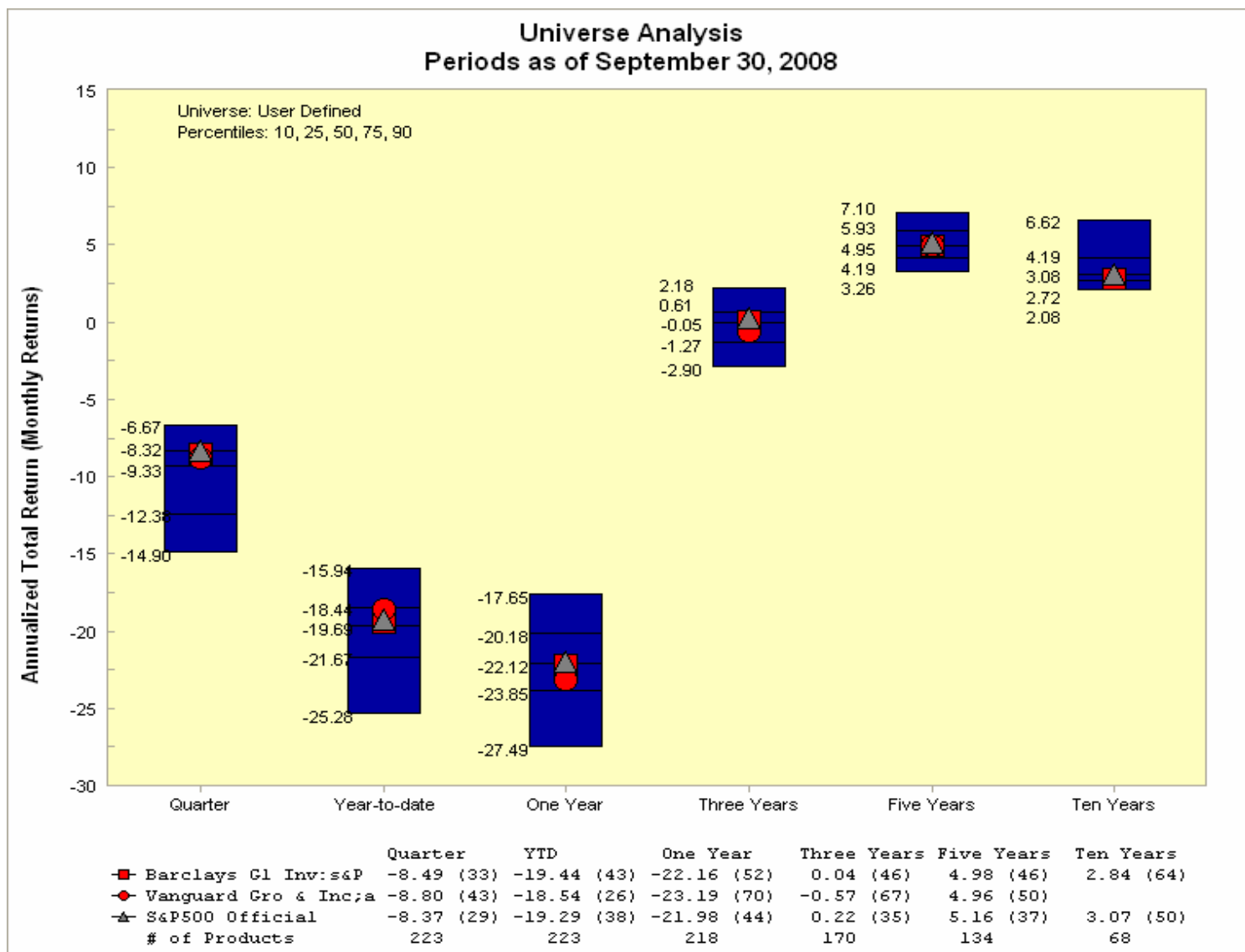
Top 10 Holdings 9-30-08	
Company	% of Portfolio
ExxonMobil Corporation	4.46%
General Electric Company	2.37%
Procter & Gamble Co	2.27%
Microsoft Corporation	2.03%
Johnson & Johnson	1.99%
AT&T, Inc.	1.83%
Chevron Corporation	1.78%
J.P. Morgan Chase & Co.	1.76%
International Business Machines Corp.	1.46%
Wal-Mart Stores, Inc.	1.45%

Sector Weights 9-30-08		
versus S&P 500	%	+ / -
Consumer Discretionary	8.1%	0.0%
Consumer Staples	11.3%	0.0%
Energy	14.1%	0.0%
Financials	15.4%	0.0%
Health Care	12.7%	0.0%
Industrials	11.4%	0.0%
Information Technology	16.5%	0.0%
Materials	3.8%	0.0%
Telecom Services	3.1%	0.0%
Utilities	4.2%	0.0%

Portfolio Information	
Expense Ratio	0.20%
12b-1 Fee Included	-
Morningstar Average	1.14%
Minimum Investment	\$100,000
Avg. Annual Turnover	7%

Year-End Assets (\$ Mil.)	
2007	\$331
2006	\$270
2005	\$308
2004	\$441

Large Cap Core Universe



State of Montana 401(a) Defined Contribution Plan
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Vanguard Equity Income Admiral

Ticker: VEIRX

Fund Strategy

This fund seeks to find stocks in high quality companies that are temporarily undervalued and have a high dividend yield in an effort to deliver a combination of steady returns and above average income. The portfolio is broadly diversified.

Manager Information

Lead Manager John R. Ryan + Team
 Inception 8/13/2001
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Equity Income Adm	★★★★	\$45,128	195	-2.9%	-15.7%	-18.8%	2.7%	7.7%	-
Russell 1000 Value Index				-6.1%	-18.9%	-23.6%	0.1%	7.1%	5.5%
Large Cap Value MF Mean				-8.0%	-20.0%	-23.8%	-0.5%	6.1%	5.3%

	Manager Statistics				Index Statistics			
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	9.84	0.81	1.68	-0.09	3.91	11.50	0.97	-0.29
5-Year	9.29	0.85	2.68	0.51	3.47	10.52	0.98	0.41

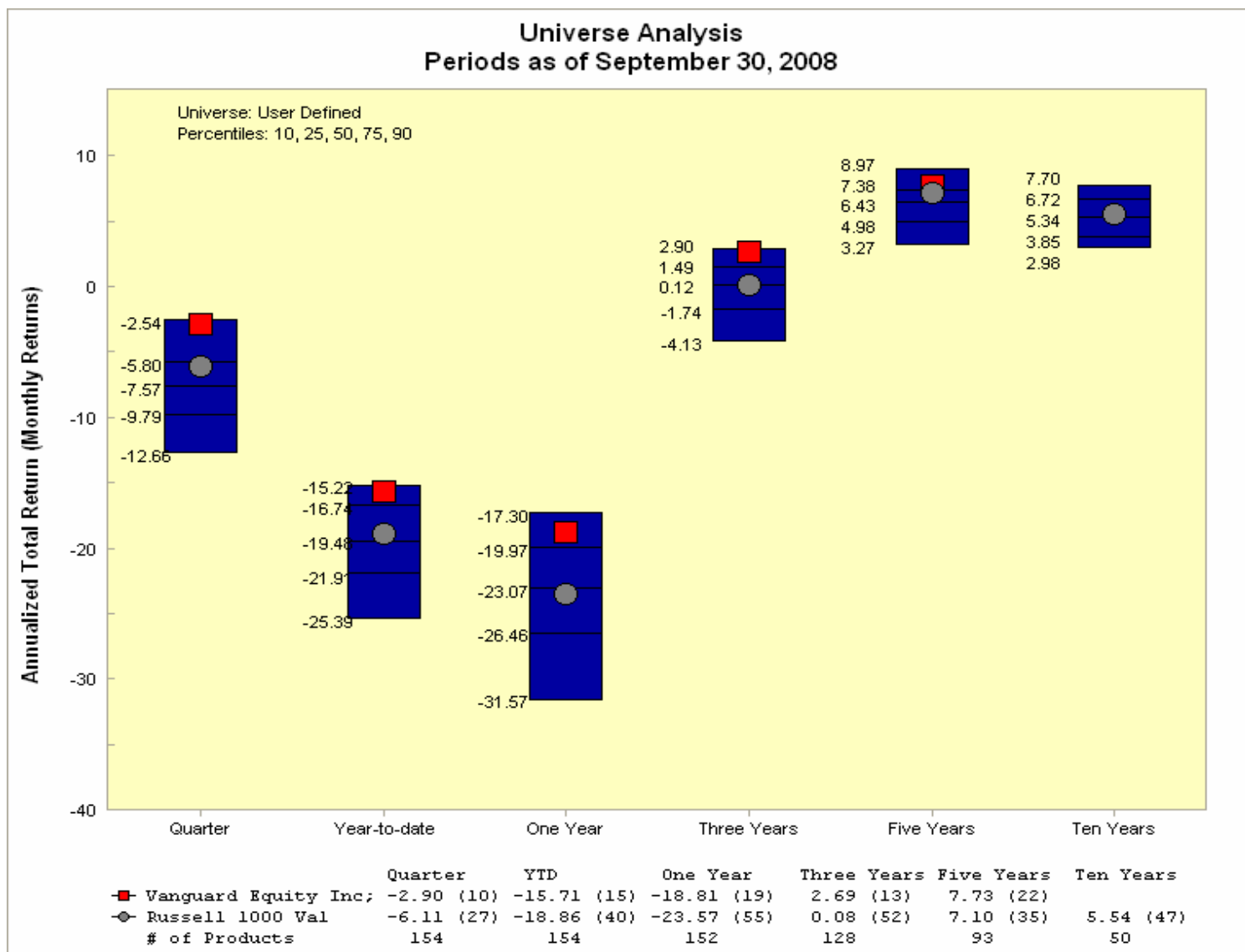
Top 10 Holdings 9-30-08	
Company	% of Portfolio
General Electric Company	4.07%
J.P.Morgan Chase & Co.	3.85%
Bank of America Corporation	3.76%
AT&T, Inc.	3.38%
Chevron Corporation	3.35%
Pfizer Inc.	2.73%
US Bancorp	2.64%
Verizon Communications Inc.	2.17%
Philip Morris International Inc.	2.05%
Dominion Resources, Inc.	1.91%

Sector Weights 9-30-08		
versus Russell 1000 Value	%	+ / -
Consumer Discretionary	4.5%	-4.0%
Consumer Staples	15.8%	6.8%
Energy	8.0%	-7.8%
Financials	23.5%	-3.8%
Health Care	11.7%	-0.1%
Industrials	11.5%	1.8%
Information Technology	2.6%	-0.3%
Materials	5.9%	2.1%
Telecom Services	5.9%	0.7%
Utilities	10.6%	4.5%

Portfolio Information	
Expense Ratio	0.17%
12b-1 Fee Included	-
Morningstar Average	1.32%
Minimum Investment	\$100,000
Avg. Annual Turnover	51%

Year-End Assets (\$ Mil.)	
2007	\$5,075
2006	\$5,293
2005	\$4,332
2004	\$3,162
2003	\$2,590
2002	\$1,931
2001	\$2,250

Large Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Munder Mid Cap Core Growth A Ticker: MGOAX

Fund Strategy

This fund operates in the mid-capitalization space and managers seek to invest in companies that are temporarily out of favor and trade cheap relative to their growth prospects. The fund keeps sector weightings within 3% of the benchmark. The fund holds 70-85 stocks and individual positions are capped at 3%

Manager Information

Lead Manager Tony Y. Dong + Team
 Inception 6/30/2000
 Prospectus www.munder.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Munder Mid Cap Core Grw A	★★★★	\$4,281	91	-16.1%	-24.5%	-24.6%	0.7%	9.5%	-
S&P MidCap 400 Index				-10.9%	-14.3%	-16.7%	1.8%	8.7%	10.3%
Mid Cap Growth MF Mean				-16.2%	-23.7%	-24.5%	0.0%	6.3%	7.0%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	15.38	1.20	1.69	-0.14	7.41	13.64	1.10	-0.10
5-Year	14.35	1.21	4.05	0.48	7.43	12.79	1.12	0.47

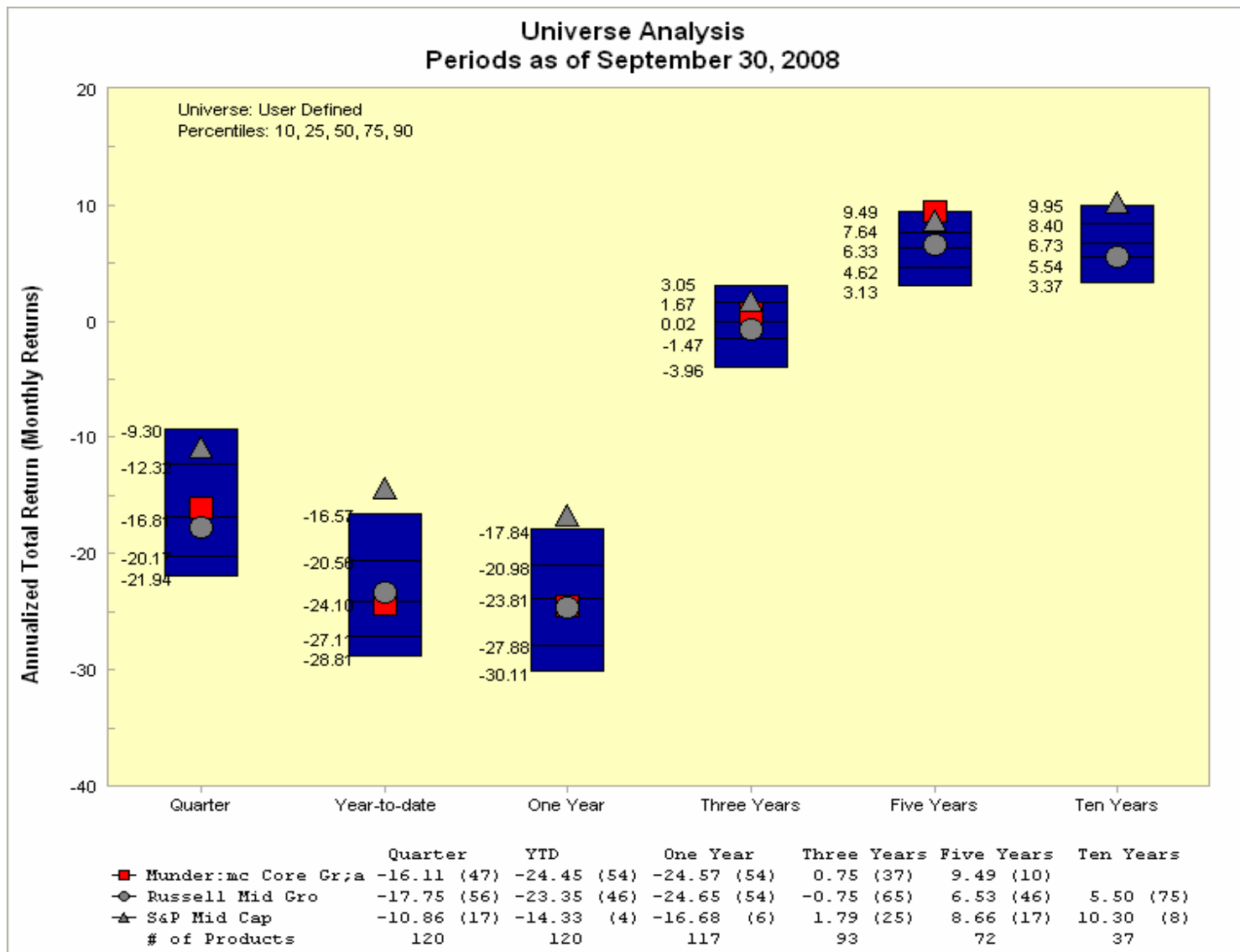
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Airgas, Inc.	2.08%
Northeast Utilities	2.06%
Church & Dwight Company, Inc.	1.76%
Itron Inc.	1.69%
LKQ Corporation	1.67%
Biomarin Pharmaceutical, Inc.	1.66%
Corrections Corporation of America	1.65%
Valmont Industries, Inc.	1.62%
Equitable Resources, Inc.	1.62%
Stericycle, Inc.	1.58%

Sector Weights 9-30-08		
versus S&P MidCap 400	%	+ / -
Consumer Discretionary	11.0%	-2.5%
Consumer Staples	4.4%	0.5%
Energy	9.0%	1.6%
Financials	18.2%	-0.9%
Health Care	12.1%	0.0%
Industrials	13.6%	-1.9%
Information Technology	13.9%	0.6%
Materials	6.9%	0.0%
Telecom Services	2.3%	1.8%
Utilities	8.6%	0.8%

Portfolio Information	
Expense Ratio	1.32%
12b-1 Fee Included	0.25%
Morningstar Average	1.69%
Minimum Investment	\$2,500
Avg. Annual Turnover	46%

Year-End Assets (\$ Mil.)	
2007	\$4,692
2006	\$2,738
2005	\$1,146
2004	\$425
2003	\$267
2002	\$103
2001	\$65

Mid Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Janus Mid Cap Value Inv

Ticker: JMCVX

Fund Strategy

This fund operates in the mid-capitalization space and has a value, turnaround story, and contrarian orientation. Managers seek to find stocks trading near their historic low in price but have strong cash flows, minimal debt and a proven management team. The portfolio holds 120-150 companies and individual positions are capped at 3%.

Manager Information

Lead Manager Thomas M. Perkins
 Inception 8/12/1998
 Prospectus www.janus.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Janus Mid Cap Value Inv	★★★★★	\$7,987	145	-6.0%	-9.6%	-11.6%	4.6%	11.0%	15.0%
Russell Mid Cap Value Index				-7.5%	-15.5%	-20.5%	0.5%	10.0%	9.2%
Mid Cap Value MF Mean				-9.0%	-17.0%	-21.1%	-0.1%	8.1%	9.6%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	10.58	0.86	3.80	0.10	4.26	12.43	1.03	-0.22
5-Year	10.30	0.93	5.57	0.76	3.91	11.94	1.08	0.59

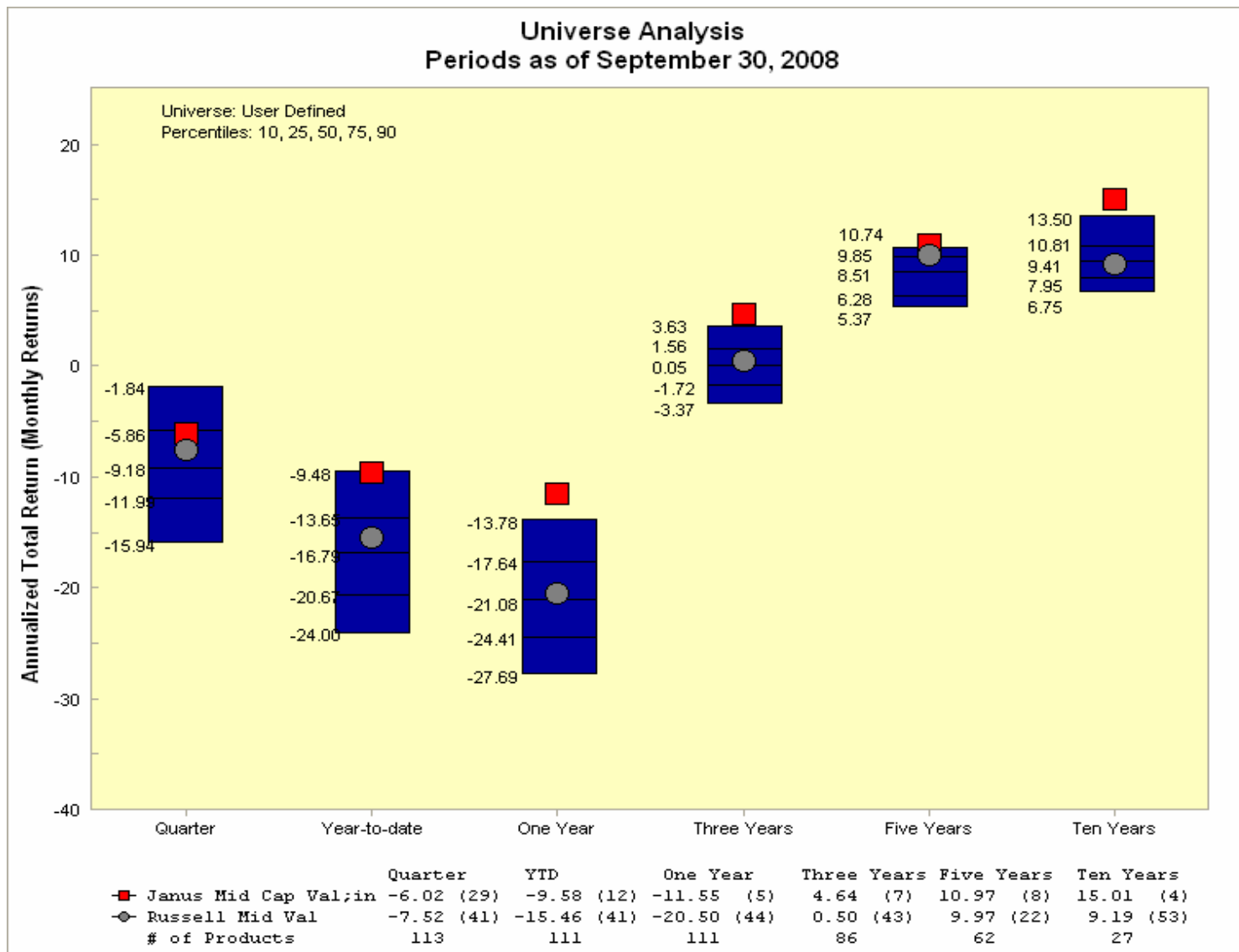
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Berkshire Hathaway Inc. B	2.22%
People's United Financial, Inc.	1.72%
URS Corporation	1.58%
Protective Life Corporation	1.51%
Invesco Ltd ADR	1.50%
Thomas & Betts Corporation	1.46%
AllianceBernstein Holding L.P.	1.44%
Cardinal Health, Inc.	1.43%
Plains All American Pipeline, L.P.	1.38%
Lubrizol Corporation	1.36%

Sector Weights 9-30-08		
versus Russell Mid Cap Value	%	+ / -
Consumer Discretionary	9.5%	-4.6%
Consumer Staples	5.1%	-2.8%
Energy	14.7%	8.8%
Financials	23.6%	-8.9%
Health Care	11.2%	6.4%
Industrials	11.7%	3.8%
Information Technology	10.7%	4.6%
Materials	7.8%	0.9%
Telecom Services	1.4%	0.1%
Utilities	4.3%	-8.4%

Portfolio Information	
Expense Ratio	0.85%
12b-1 Fee Included	-
Morningstar Average	1.36%
Minimum Investment	\$2,500
Avg. Annual Turnover	95%

Year-End Assets (\$ Mil.)	
2007	\$6,502
2006	\$6,479
2005	\$5,195
2004	\$4,654
2003	\$3,324
2002	\$1,175
2001	\$265

Mid Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Managers AMG Essex Small/Micro Growth

Ticker: MBRSX

Fund Strategy

This fund seeks capital appreciation through investing in a diversified portfolio of small capitalization (less than \$2.5 Billion at time of investment) US growth stocks.

Manager Information

Lead Manager Nancy Prial
 Inception 6/25/2002
 Prospectus www.managersinvest.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Mgr AMG Essex Sml/Mic Grw	★★★	\$617	93	-9.7%	-25.9%	-26.9%	-0.5%	7.5%	-
Russell 2000 Growth Index				-7.0%	-15.3%	-17.1%	1.5%	6.6%	4.7%
Small Cap Growth MF Mean				-9.5%	-20.4%	-23.2%	-0.8%	5.6%	7.0%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	19.04	1.34	1.58	-0.14	12.08	16.21	1.23	-0.08
5-Year	18.67	1.43	2.35	0.31	12.25	16.21	1.32	0.28

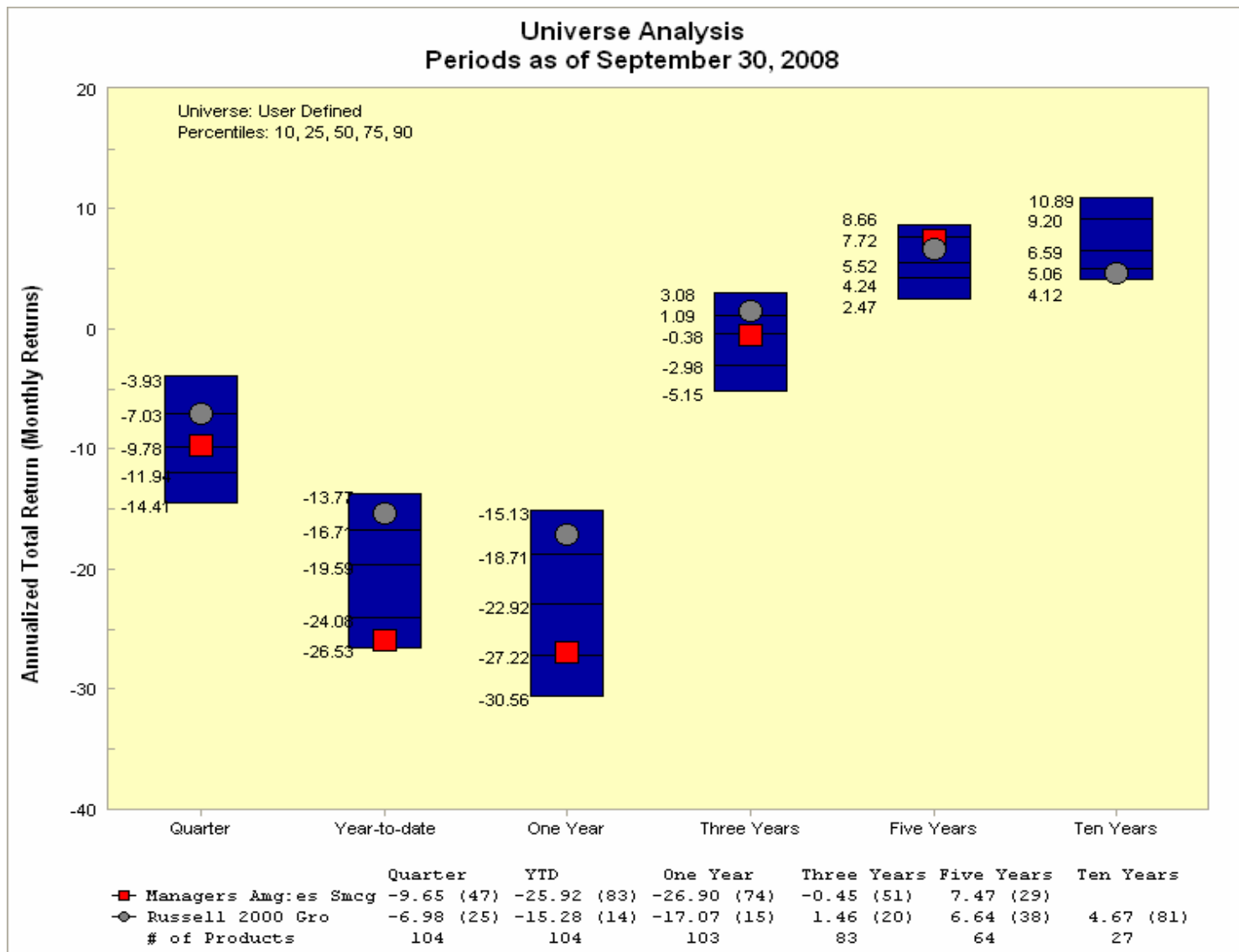
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Illumina, Inc.	2.60%
Parexel International Corporation	2.51%
Wright medical Group, Inc.	2.19%
Corinthian Colleges, Inc.	2.18%
Volcano Corporation	1.95%
Luminex Corporation	1.79%
DXP Enterprises, Inc.	1.75%
Thoratec Laboratories Corporation	1.73%
SkillSoft ADR	1.69%
Argonaut Group, Inc.	1.60%

Sector Weights 9-30-08		
versus Russell 2000 Growth	%	+ / -
Consumer Discretionary	16.2%	3.2%
Consumer Staples	0.7%	-2.1%
Energy	1.2%	-7.8%
Financials	4.3%	-1.0%
Health Care	30.1%	5.4%
Industrials	15.1%	-3.2%
Information Technology	29.4%	7.7%
Materials	2.0%	-1.3%
Telecom Services	1.1%	-0.1%
Utilities	0.0%	-0.8%

Portfolio Information	
Expense Ratio	1.49%
12b-1 Fee Included	0.25%
Morningstar Average	1.68%
Minimum Investment	\$2,000
Avg. Annual Turnover	57%

Year-End Assets (\$ Mil.)	
2007	\$134
2006	\$79
2005	\$14
2004	\$15
2003	\$8
2002	n/a
2001	n/a

Small Cap Growth Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Vanguard Small Cap Index Signal

Ticker: VSISX

Fund Strategy

This index fund tracks the MSCI US Small Cap 1750 Index, which contains 1750 of the smallest publicly traded stocks.

Manager Information

Lead Manager Michael H. Buek
 Inception 7/7/1997
 Prospectus www.vanguard.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Vanguard Sml Cap Index Instl	★ ★ ★	\$1,386	1749	-5.0%	-12.7%	-17.1%	1.2%	8.7%	8.4%
MSCI Small Cap 1750 Index				-5.1%	-12.9%	-17.3%	1.1%	8.6%	9.8%
Small Cap Core MF Mean				-4.8%	-14.1%	-18.8%	-0.4%	7.6%	8.9%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	14.34	1.14	1.78	-0.13	6.45	14.33	-	-0.14
5-Year	14.10	1.22	3.28	0.44	6.87	14.09	-	0.43

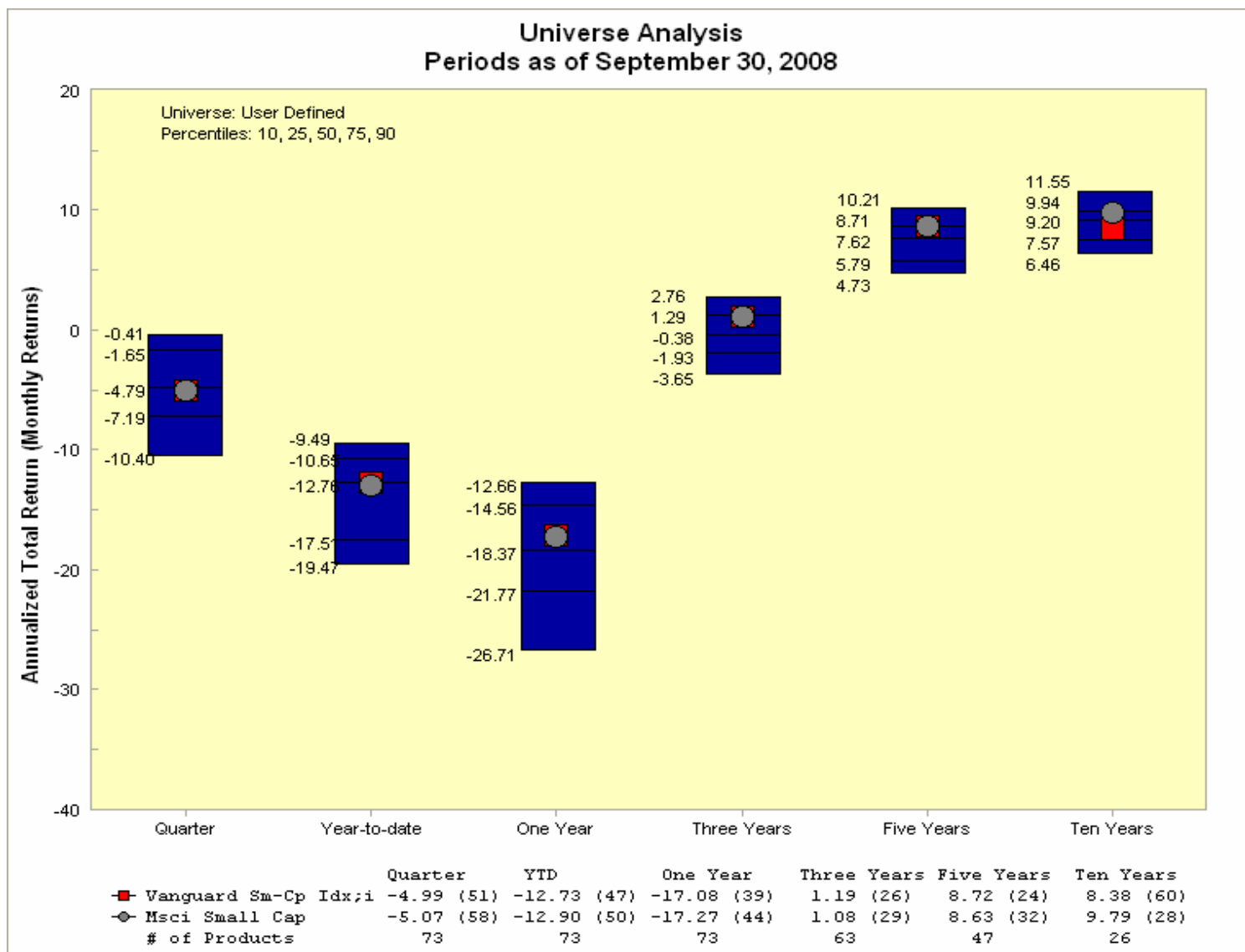
Top 10 Holdings 9-30-08	
Company	% of Portfolio
SAIC, Inc	0.27%
Rayonier, Inc	0.27%
FTI Consulting	0.26%
Alexandria Real Estate Equities, Inc	0.26%
Global Payments, Inc	0.26%
Philadelphia Consolidated Holding	0.25%
Nationwide Health Properties Inc	0.25%
Puget Energy, Inc	0.25%
Kansas City Southern, Inc	0.25%
Mettler-Toledo International, Inc	0.24%

Sector Weights 9-30-08		
vs. DJ Wilshire US Small Cap 1750	%	+ / -
Consumer Discretionary	12.9%	-0.9%
Consumer Staples	3.4%	-0.4%
Energy	6.9%	-2.1%
Financials	20.8%	-1.2%
Health Care	12.9%	0.7%
Industrials	16.3%	1.5%
Information Technology	16.7%	2.2%
Materials	4.5%	-0.3%
Telecom Services	1.0%	0.2%
Utilities	4.5%	0.3%

Portfolio Information	
Expense Ratio	0.07%
12b-1 Fee Included	-
Morningstar Average	1.44%
Minimum Investment	\$500,000
Avg. Annual Turnover	16%

Year-End Assets (\$ Mil.)	
2007	\$13,903
2006	\$12,993
2005	\$10,273
2004	\$6,247
2003	\$4,871
2002	\$2,943
2001	\$3,545

Small Cap Core Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Hotchkis & Wiley Small Cap Value A

Ticker: HWSAX

Fund Strategy

Operating in the small capitalization value space, this manager seeks to find mis-priced stocks based on normalized earnings growth estimates over a full market cycle. Positions taken are for the long term and turnover is low. Managers like companies with high return of capital, a competitive advantage, and a favorable supply/ demand situation.

Manager Information

Lead Manager James B. Miles + Team
 Inception 10/6/2000
 Prospectus www.hwcm.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Hotchkis & Wiley Sml Cap Val	★	\$923	52	-7.3%	-11.7%	-19.7%	-9.3%	4.4%	-
Russell 2000 Value Index				5.0%	-5.4%	-12.3%	2.0%	9.4%	10.1%
Smal Cap Value MF Mean				-1.6%	-10.1%	-16.3%	0.1%	8.3%	10.2%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	15.37	1.06	-9.22	-0.82	9.75	13.83	0.97	-0.08
5-Year	15.77	1.22	-0.56	0.15	9.89	13.92	1.10	0.49

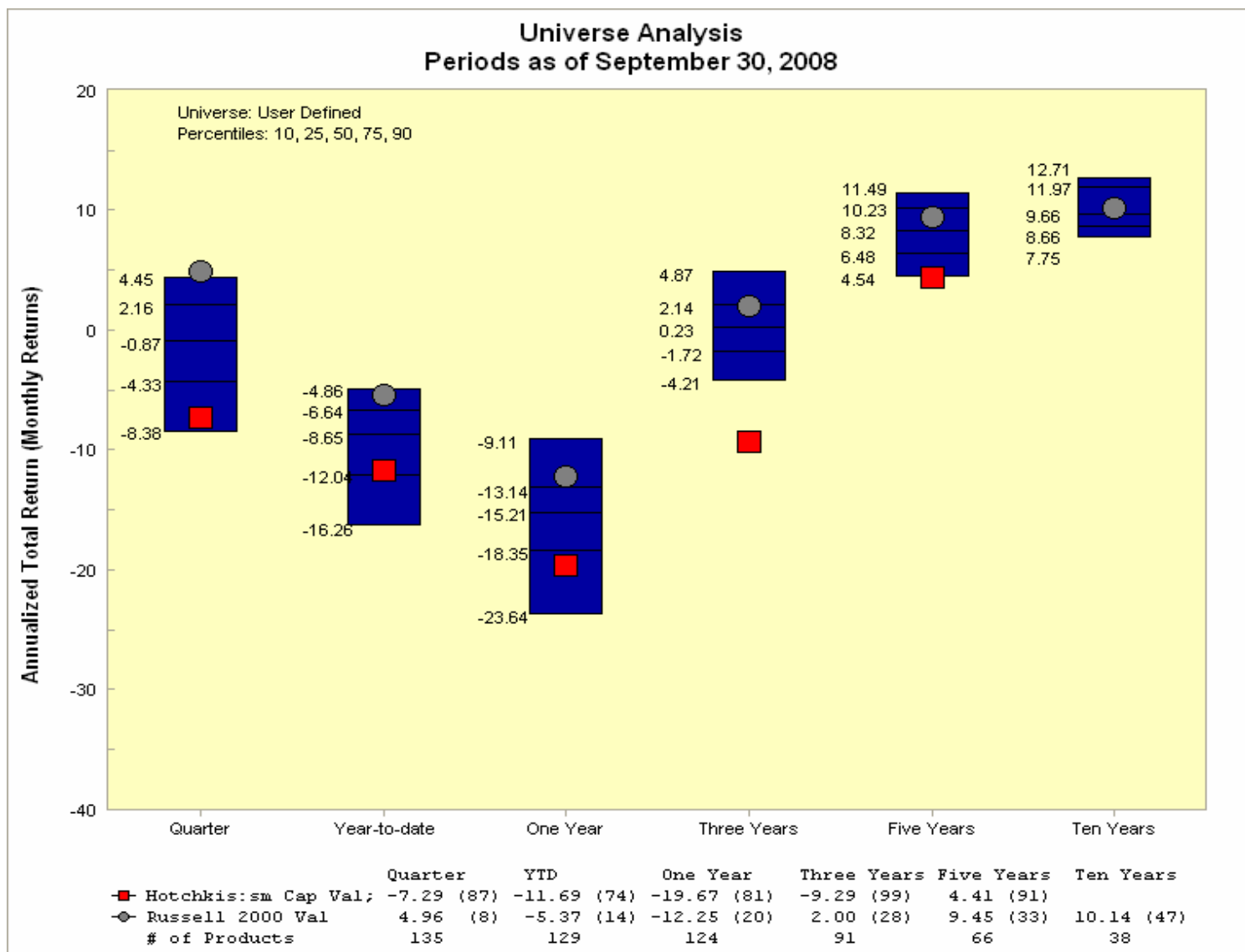
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Great Plains Energy, Inc.	4.99%
MI Developments Inc.A	4.62%
Caplease, Inc.	4.32%
United America Indemnity, Ltd.	4.01%
Valassis Communications	3.61%
Webster Financial Corporation	3.60%
Hudson Highland Group, Inc.	3.57%
Rent-A-Center, Inc.	3.46%
U-Store-It Trust	3.37%
Employers Holdings, Inc.	3.28%

Sector Weights 9-30-08		
versus Russell 2000 Value	%	+ / -
Consumer Discretionary	27.5%	15.1%
Consumer Staples	0.0%	-4.5%
Energy	1.8%	-2.0%
Financials	32.2%	-3.9%
Health Care	3.0%	-2.0%
Industrials	16.6%	3.2%
Information Technology	8.8%	-3.8%
Materials	2.6%	-2.2%
Telecom Services	0.0%	-1.0%
Utilities	7.5%	1.2%

Portfolio Information	
Expense Ratio	1.33%
12b-1 Fee Included	0.25%
Morningstar Average	1.51%
Minimum Investment	\$2,500
Avg. Annual Turnover	31%

Year-End Assets (\$ Mil.)	
2007	\$355
2006	\$660
2005	\$1,745
2004	\$1,574
2003	\$1,029
2002	\$271
2001	\$166

Small Cap Value Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



American Funds New Perspective Fund A

Ticker: ANWPX

Fund Strategy

This fund seeks capital appreciation by investing internationally in high quality companies that are temporarily out of favor and holding positions for the long term. Stock purchases are based on the manager's model for fair value.

Manager Information

Lead Manager Gregg E. Ireland + Team
 Inception 3/13/1973
 Prospectus www.americanfunds.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
American Funds New Perspective A	★★★★	\$51,175	311	-14.8%	-22.5%	-22.5%	4.0%	9.7%	8.5%
MSCI World Index				-15.3%	-24.2%	-26.0%	0.7%	7.3%	3.8%
World Stock MF Mean				-15.7%	-24.9%	-26.0%	1.1%	7.9%	7.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	12.72	0.79	2.10	0.06	4.97	12.96	-	-0.19
5-Year	11.76	0.81	1.02	0.58	4.47	11.65	-	0.40

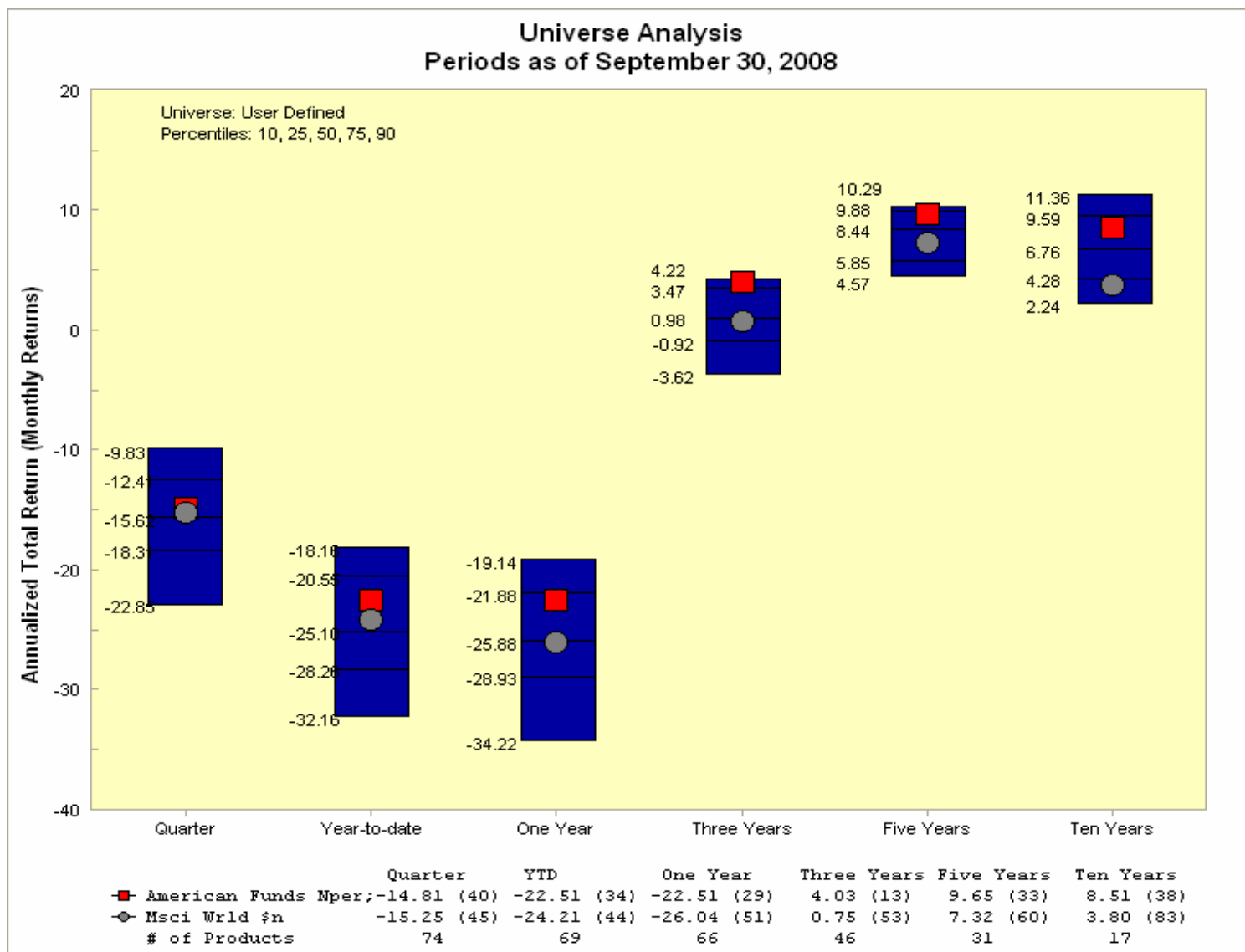
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Microsoft Corporation	2.99%
Barrick Gold Corporation	2.07%
Cisco Systems, Inc.	1.98%
Bayer	1.93%
Novo-Nordisk A S	1.67%
Citigroup	1.59%
Oracle Corporation	1.56%
Roche Holding Ltd	1.54%
HONDA MOTOR	1.37%
Brazilian Petroleum Corp ADR	1.27%

Country Weights 9-30-08		
<i>versus MSCI World</i>	%	+ / -
Europe	39.5%	8.7%
France	6.9%	2.1%
Germany	6.8%	2.8%
United Kingdom	6.2%	-3.6%
Asia	14.1%	-0.3%
Australia	1.8%	-1.0%
Hong Kong	0.9%	-0.1%
Japan	6.4%	-3.7%
Latin America	3.3%	3.3%
Brazil	2.7%	2.7%
Chile	0.0%	0.0%
North America	43.0%	-11.8%
Canada	3.8%	-0.8%
United States	39.3%	-10.9%

Portfolio Information	
Expense Ratio	0.70%
12b-1 Fee Included	0.24%
Morningstar Average	1.59%
Minimum Investment	\$250
Avg. Annual Turnover	30%

Year-End Assets (\$ Mil.)	
2007	\$57,422
2006	\$53,451
2005	\$43,143
2004	\$34,596
2003	\$30,631
2002	\$23,638
2001	\$28,618

World Equity Universe



State of Montana 401(a) Defined Contribution Plan
September 30, 2008



Oakmark International I Ticker: **OAKIX**

Fund Strategy

The fund invests internationally in large capitalization value space and seeks to find stocks trading at a discount of at least 40% of intrinsic value. Typically, the manager holds fewer stocks than the benchmark and country and sector weightings differ significantly from the benchmark. The fund tolerates price volatility of its holdings. The fund does not hedge foreign currency exposure.

Manager Information

Lead Manager David G. Herro
Inception 9/30/1992
Prospectus www.oakmark.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
Oakmark International I	★★★★	\$20,090	53	-7.4%	-25.0%	-28.6%	0.0%	8.9%	11.0%
MSCI EAFE Value Index				-19.1%	-30.3%	-32.6%	0.0%	10.1%	-
MSCI EAFE Index				-20.6%	-29.3%	-30.5%	1.1%	9.7%	5.0%
Non-US Equity MF Mean				-21.3%	-30.0%	-31.5%	1.1%	9.7%	7.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	13.87	0.77	-1.75	-0.23	7.95	15.27	1.00	-0.11
5-Year	12.49	0.80	0.51	0.50	6.47	13.73	1.00	0.52

Top 10 Holdings 9-30-08	
Company	% of Portfolio
Publicis Groupe	4.27%
Credit Suisse Grp	4.25%
Adecco	4.15%
Daiwa Securities Grp	3.63%
Signet Jewelers Ltd ADR	3.38%
TF1-TV Francaise	3.33%
Daimler	3.16%
Schroders	3.11%
SAP	3.05%
Bayersche Motoren Werke	2.91%

Country Weights 9-30-08		
versus MSCI EAFE	%	+ / -
Europe	80.1%	11.9%
France	11.6%	1.1%
Germany	11.8%	3.0%
United Kingdom	24.2%	2.5%
Asia	18.4%	-13.5%
Australia	0.0%	-6.3%
Hong Kong	0.0%	-2.1%
Japan	16.8%	-5.4%
Latin America	1.3%	1.3%
Brazil	0.0%	0.0%
Chile	0.0%	0.0%
North America	0.3%	0.3%
Canada	0.0%	0.0%
United States	0.3%	0.3%

Portfolio Information	
Expense Ratio	1.05%
12b-1 Fee Included	-
Morningstar Average	1.40%
Minimum Investment	\$1,000
Avg. Annual Turnover	50%

Year-End Assets (\$ Mil.)	
2007	\$6,936
2006	\$8,598
2005	\$12,214
2004	\$11,879
2003	\$8,720
2002	\$4,462
2001	\$1,291

SSgA International Growth Opportunities Ticker: SINGX

Fund Strategy

This large capitalization, high quality, growth oriented fund seeks to find globally dominant companies and hold positions for the long term. The fund's country and sector weightings stay close to the MSCI EAFE Index, which puts it at a competitive disadvantage against other global managers who invest more in Latin America and emerging economies and less in Japan. Managers do not hedge foreign currency exposure.

Manager Information

Lead Manager Timothy Corbett + Team
Inception 4/30/1998
Prospectus www.statestreet.com

Fund	Characteristics			Trailing Total Returns (annualized)					
	Morningstar Rating	Avg. Market Cap (\$MM)	# of Holdings	Qtr	YTD	1 Year	3 Years	5 Years	10 Years
SSgA Int'l Growth Opp.	★ ★	\$40,249	65	-24.1%	-29.0%	-29.8%	-0.2%	7.5%	3.9%
MSCI EAFE Growth Index				-21.9%	-28.3%	-28.5%	2.2%	9.2%	-
MSCI EAFE Index				-20.6%	-29.3%	-30.5%	1.1%	9.7%	5.0%
Non-US Equity MF Mean				-21.3%	-30.0%	-31.5%	1.1%	9.7%	7.1%

	Manager Statistics					Index Statistics		
	Standard Deviation	Beta	Alpha	Sharpe Ratio	Tracking Error	Standard Deviation	Beta	Sharpe Ratio
3-Year	16.24	1.04	-1.05	-0.18	3.47	15.27	1.00	-0.11
5-Year	14.34	1.02	-2.05	0.36	3.37	13.73	1.00	0.52

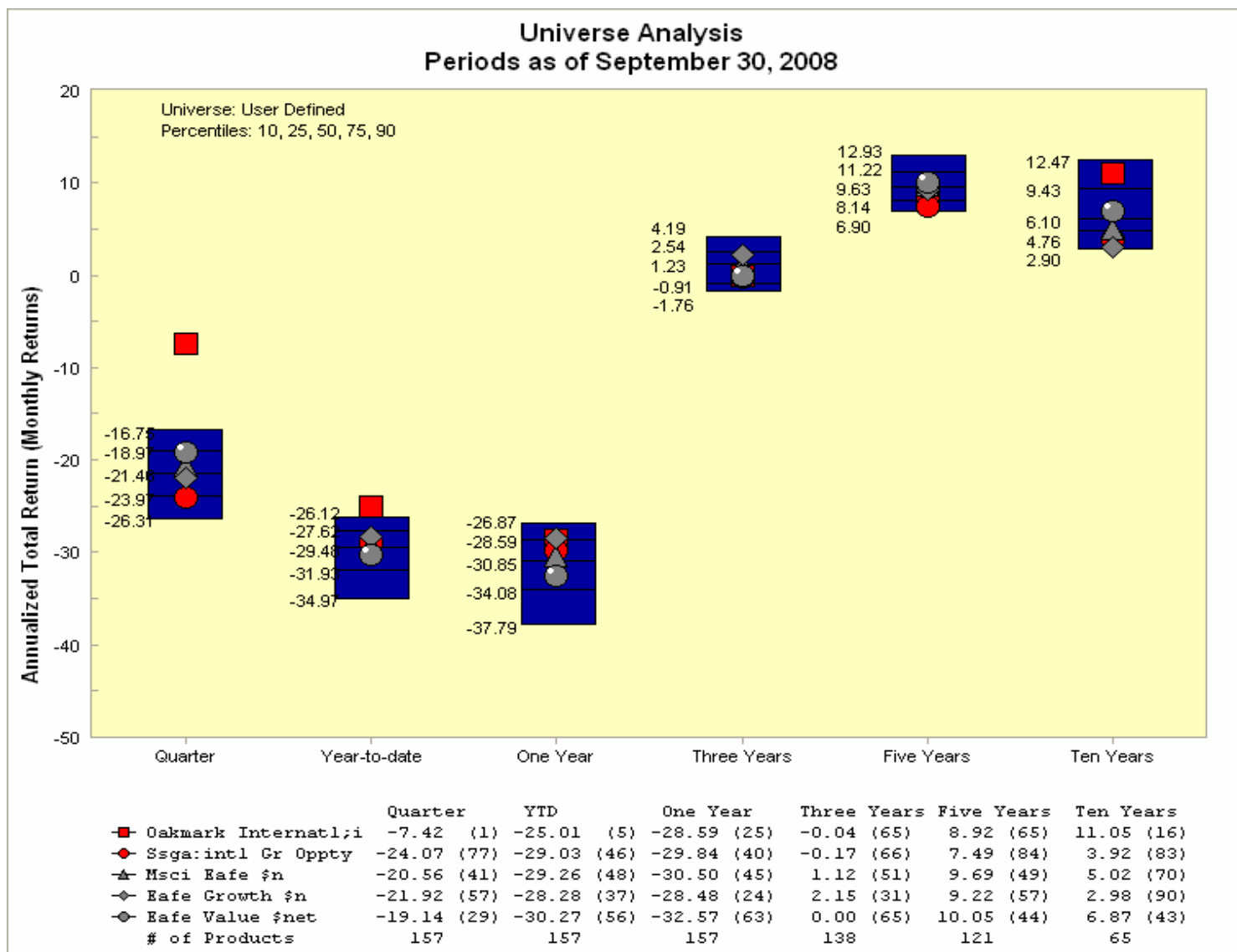
Top 10 Holdings 9-30-08	
Company	% of Portfolio
Nestle	4.64%
HSBC Holdings PLC	3.88%
E. On Ag Npv	3.41%
BHP Billiton Ltd	3.38%
Syngenta	3.13%
ABB Ltd	2.92%
Schlumberger, Ltd.	2.79%
GDF Suez	2.65%
Toyota Motor Corporation	2.47%
Roche Holding Ltd	2.44%

Country Weights 9-30-08		
versus MSCI EAFE	%	+ / -
Europe	66.3%	-1.8%
France	10.0%	-0.6%
Germany	9.3%	0.4%
United Kingdom	10.3%	-11.4%
Asia	27.4%	-4.4%
Australia	4.6%	-1.7%
Hong Kong	1.8%	-0.3%
Japan	17.2%	-5.0%
Latin America	1.3%	1.3%
Brazil	1.3%	1.3%
Chile	0.0%	0.0%
North America	4.9%	4.9%
Canada	2.1%	2.1%
United States	2.8%	2.8%

Portfolio Information	
Expense Ratio	1.10%
12b-1 Fee Included	0.14%
Morningstar Average	1.65%
Minimum Investment	\$1,000
Avg. Annual Turnover	74%

Year-End Assets (\$ Mil.)	
2007	\$20
2006	\$39
2005	\$54
2004	\$71
2003	\$68
2002	\$77
2001	\$103

International (Non-US) Equity Universe



ADR	American Depositary Receipt, a negotiable receipt for the shares of a foreign-based corporation held in trust by a U.S. bank that entitles a shareholder to all dividends and capital gains.
Alpha	Alpha is a statistical calculation based on a manager's beta and the rate of return of the index over the period. Alpha measures whether a manager has added value to or detracted from returns on a risk-adjusted basis. Alpha can be used when comparing dissimilar products because alpha is adjusted for risk and therefore the product with the highest alpha added the most historical value relative to its risk level.
Annualized Return	Rate of return of the account smoothed as though the return occurred equally over twelve-month periods. When the specified time frame is for less than a year, the rate of return is projected as though the same performance continues to occur for a twelve-month time period.
Assets Managed in Style	The total assets managed in all investment vehicles of the investment style.
Average Market Capitalization (\$ Wtd.)	The average market capitalization of all stocks in a given portfolio, weighted by each company's portion of the portfolio's market value.
Beta	A measure of volatility. A beta over 1.0 indicates above-market volatility; below 1.0, less volatility.
Book Value	The balance sheet value of assets minus the balance sheet value of liabilities. Also known as shareholders' equity.
Bottom-Up Investment Approach	The investment manager concentrates on fundamental analysis of a company's financial statements. In addition, an investment manager may examine other aspects of the company such as strength of management, new product lines, valuation, historic record, etc.
Cumulative Annualized Rate of Return	Funds appear in order of their absolute rate of return over a common time period, with the highest rate of return appearing first.
Cycle Analysis	The index, by definition, automatically has an Up-Cycle of 100. If a manager has an Up-Cycle number higher than 100, the manager has historically captured more than 100% of the rising market. If a manager has a Down-Cycle number of less than 100, the manager has historically captured less than 100% of the falling market.
Dividend	A payment issued by a company that distributes a portion of its value, usually in the form of cash.

Duration	The weighted maturity of a fixed-income investment's cash flows, used in the estimation of the price sensitivity of fixed-income securities for a given change in interest rates. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital). A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, where maturity and duration are equal.
Earnings	Earnings are a company's accounting profits or losses, typically reported four times each year.
Emerging Markets	Countries whose economies are considered emerging or underdeveloped.
Fundamental	A company's underlying financial situation.
Growth Style Investing	Growth investors purchase companies that have above-average earnings growth
Hedging	A strategy designed to reduce risk by offsetting potential losses from existing investments. This practice is often used in international investing, where investment managers often use hedging techniques to reduce exposure to fluctuating currencies.
Investment Vehicle	The account type that an investor can gain access to an investment manager. Examples of investment vehicles are pooled or commingled funds, mutual funds, separate accounts, and limited partnerships.
Large Cap	Large Capitalization - refers to those companies with a market capitalization of greater than \$10 billion.
Liquidity	The ability to buy or sell an asset quickly and in large volume without substantially affecting the asset's price.
Market Capitalization	The dollar value of a public company based on the total number of shares of stock available multiplied by the price per share.
Median Market Capitalization (\$ Wtd.)	The market capitalization of the stock that represents the middle of the portfolio's cumulative market value. Half of the portfolio is invested in stocks larger than the median and the other half is invested in stocks smaller than the median.
Micro Cap	Micro Capitalization - refers to those companies with a market capitalization of less than \$500 million.
Mid Cap	Mid Capitalization - refers to those companies with a market capitalization between \$2 and \$10 billion.

Net of Fees	After subtraction of management fees.
Portfolio	Refers to the complete list of securities held in an investment vehicle.
Price-to-earnings (P/E) ratio	Calculated by dividing the current share price by the trailing twelve-months earnings per share.
Price-to-book (P/B) ratio	Calculated by dividing the share price by the book value per share.
Relative Rank	"Rank" reflects funds' performance within the full universe of comparable products, which includes similar investment styles and objectives. The rank reflects which percentile the manager's absolute rate of return falls within relative to its peer universe, with 1 = highest and 100 = lowest.
R-Squared (Coefficient of Determination)	A statistical measure of the degree to which the movements of two variables are related. An R-Squared closer to 1.0 indicates that the two variables tend to behave similarly or that by knowing one variable you can closely estimate the other variable.
Sharpe Ratio	A risk-adjusted measure calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. The Sharpe Ratio is calculated for the past 36 month period by dividing a fund's annualized excess returns by the standard deviation of a fund's annualized excess returns.
Small Cap	Small Capitalization - refers to those companies with a market capitalization between \$500 million and \$1.99 billion.
Standard Deviation	Measures the range of returns and is based on a Normal Curve. Managers with lower standard deviations than the index have historically had returns that tended to fall closer to their mean return compared to the index. Managers with higher standard deviations than the index have historically had returns that tended to be further dispersed around the mean than the index. This is another measure of volatility, but it does not distinguish downside performance from upside performance.
Top-Down Investment Approach	The investment manager concentrates on analyzing the economy and investment environment to identify attractive economic sectors for investment. In international investing, a top-down investment approach is often used to identify attractive countries or regions for investment.
Treynor Ratio	The Treynor ratio is the return premium earned over the risk free rate by the series for each unit of risk taken, with risk measured as the beta of the series or portfolio relative to the market.

Value Added	Based on alpha, value-added shows how much value a manager added, after adjustment for the amount of volatility (risk) that a manager has experienced. A value-added of 1.0 means a manager has added 1% to annualized returns.
Value Style Investing	Value investors rely on an examination of the underlying or unrealized value of a company as the primary criterion for deciding whether or not to buy a company's stock. Value stocks are often priced lower than growth stocks due to slower growth expectations, recent financial difficulty, or a host of other reasons.
Years	This evaluation is based on quarterly return observations from inception for all advisors and the corresponding index.